ANNUAL REPORT 2024

Incorporated in Bermuda with Limited Liability

Stock Code ：00861

神州控股
DC Holdings

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

* for identification purpose only

Content

Company Profile

Digital China Holdings Limited ("DC Holdings") was established in 2000 and listed on the main board of the Hong Kong Stock Exchange since 2001 (stock code: 00861.HK). Since our inception, we have embraced the mission of "Digitalizing China", upheld the value of "Customer Success, Value Creation, Pursue Excellence, and Open Collaboration", while maintaining a dual focus on China as well as a global outlook. Our unwavering commitment to innovation has led to continuous breakthroughs. Our service portfolio spans IT infrastructure services, integrated IT services, and smart city solutions. Notably, we champion the "Big Data + A.I." strategy, persistently endeavoring to promote the integration of self-innovated technologies and industry scenarios. We forge a brighter digital future, leveraging technology to empower the high-quality development of real economy.

At present, we keep fully committed to the commercialization of data factor of production. Guided by the "A.I. for Process" concept, we provide integrated end-to-end data intelligence solution, to enhance process optimization and decision-making, thereby unlocking value from data and facilitating enterprise growth. With a strong presence in smart supply chains, industrial manufacturing, FinTech, and hospitality, we have established an extensive network and a leading industry position, fostering deep expertise and ecosystem partnerships in digital transformation. Leveraging on cross-industry technological adaptability, we continuously promote the application of core technologies and solutions in various industries. Notably, we have already constructed mature business channels and fostered extensive cooperative relationships both domestically and internationally.

Going forward, our unwavering focus rests upon strengthening our core capabilities, advancing technological innovation and R&D, continuously delving into core scenarios, constantly fostering deeper integration between the tangible and digital realms. In doing so, we ignite new productive forces and propel the monumental task of building a digital China. Ecosystem partnerships await us as we join hands with like-minded enterprises and stride toward a smarter, interconnected future.

Financial Highlights

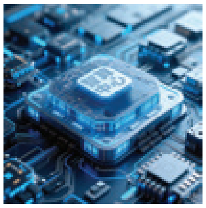
	2024 RMB'000	2023 RMB'000	Year-on-year change
Revenue	**16,657,343**	18,276,547	(8.86%)
Of which: Big Data Products and Solutions business segment	**3,238,864**	3,171,898	2.11%
Software and Operating Services business segment	**5,475,189**	5,269,179	3.91%
Traditional and Localization Services business segment	**7,943,290**	9,835,470	(19.24%)
Loss attributable to equity holders of the parent	**(253,949)**	(1,833,689)	86.15%

The Board recommends the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2024 to the Shareholders, subject to the approval of the Shareholders in the forthcoming annual general meeting. This together with the interim dividend of HK1.0 cent (paid during the year 2024) per ordinary share gives a total of HK7.0 cents per ordinary share for the year ended 31 December 2024.

DC Holdings 2024 Significant Events

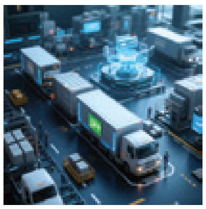
January

- DC Holdings' subsidiary won the bid for an intelligent computing center infrastructure project in Changchun New Area, which involved design, construction and maintenance of the intelligent computing platform. The total project value over RMB400 million.



February

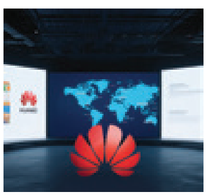
- China Mobile released the results of the national logistics services procurement project phase VI (May 2024 to April 2025). DC Holdings' subsidiary successfully won the bid, with a total project value over RMB400 million.



- Phase I of the smart computing center project for Hong Kong SAR Government, jointly developed by DC Holdings and NVIDIA, was successfully delivered. The total project value was nearly HK600 million. This project was also the world's first computing power cluster project, recognized as NVIDIA's most advanced technology (DGX H800).

March

- The awarding ceremony of Huawei's "HarmonyOS Pioneer Program for Development Service Providers" was held in Nanjing. Relying on outstanding capabilities of mobile financial development, DC Holdings' subsidiary was recognized as one of the first batch of certified service providers for Huawei's HarmonyOS.



April

- During the study and inspection tour in Shaanxi Province, Party Secretary of the Jilin Provincial Committee, and Hu Yuting, Deputy Party Secretary of the Provincial Committee and Governor of Jilin Province, led a delegation of Jilin to visit and inspect the Digital China Xi'an Science Park located in the Xi'an Industrial Development Zone. Zhao Yide, Party Secretary of the Shaanxi Provincial Committee, accompanied them during the visit.

May

- Under the theme "A.I. Landing, Boundless Innovation", the 2024 DC Motivation Conference, jointly organized by DC Holdings, DCITS and DCG, grandly opened at the Digital China International Innovation Center (IIC). Spanning over 20 days, the conference featured a series of high-profile forums and spectacular events, delivering an A.I. extravaganza for participants.

- The 7th Digital China Construction Summit was grandly held in Fuzhou. As one of its parallel forums, the "Data + AI Empowering New Quality Productivity in Government and Enterprises Forum", hosted by DC Holdings and supported by the Greater Bay Area International Information Technology Association, Greater Bay Area Import-Export Business Association, Hong Kong Software Industry Association, and Guangdong Emerging Industries Finance Association, took place at the Fuzhou Digital China Convention and Exhibition Center.

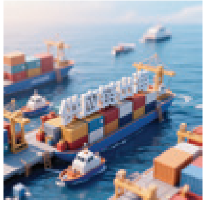
July

- DC Holdings' subsidiary successfully won the bid for the Dam Safety Monitoring System Construction Project of Large and Medium-Sized Reservoirs in Jilin Province, with a project value approaching RMB30 million. Leveraging our mature digital twin-enabled smart water management solutions, DC Holdings will provide intelligent safety assurance for dam infrastructure across Jilin's major reservoirs.

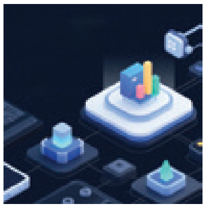
DC Holdings 2024 Significant Events

July

- DC Holdings' subsidiaries have secured a string of contract wins, successively being awarded supply chain service contracts for BYD's overseas operations in Thailand and Vietnam, providing cross-border procurement solutions for raw materials and components to support the automaker's global expansion.



- DC Holdings' subsidiary has secured consecutive wins for its Enterprise-Grade Microservices Platform, being awarded architecture development contracts by financial institutions including Heilongjiang Rural Credit Cooperatives, Zheshang Rural Commercial Bank, and Guangxi Rural Commercial Bank. The platform empowered regional banks to drive institution-wide architectural transformation through advanced service governance mechanisms, marking another milestone in the digital evolution of China's rural financial ecosystem.



August

- Sm@rtFSCloud, a featured business middle platform under subsidiaries of DC Holdings, has successively secured business middle platform construction projects from multiple financial institutions including Ping An Bank, Xinjiang Bank, Nanhai Rural Commercial Bank, Wenzhou Bank, Taizhou Bank, as well as a banking institution in Kazakhstan.

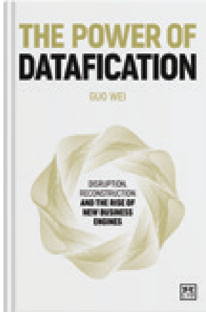
September

- DC Holdings' subsidiary subsidiaries have entered into a strategic partnership with Junyao Technology, a supply chain arm of Semir Group — a leading domestic enterprise in casual wear and children's apparel sectors — to co-develop a Warehouse Management System (WMS). This collaboration will empower the customer to achieve standardized operations, enhanced efficiency, and professionalized supply chain management.

October

- Chen Liyan, then Deputy Secretary of the Kunshan Municipal Party Committee and Mayor, met with the management team delegation from DC Holdings. Both parties conducted thorough exchanges on multi-domain collaborative development and related topics.

- "The Power of Datafication", the inaugural English translation of the monograph Digitalization Force authored by Guo Wei, Chairman of DC Holdings, was unveiled at the Frankfurt Book Fair — the world's largest international publishing event — marking its global debut.



- The Smart Supply Chain Division of DC Holdings held a nationwide mobilization rally on the eve of the 15th Double 11 Grand Promotion, with clients, partners, and employees jointly participating. This collective effort vividly demonstrated the core values of "Customer Success, Value Creation", injecting strong momentum into the full-throttle push toward achieving sales targets during the world's largest shopping festival.

DC Holdings 2024 Significant Events

October

- The 2024 Kunshan (Hong Kong) Economic and Trade Exchange Event was successfully convened in Hong Kong, during which the Kunshan (Hong Kong) International Business Exchange Center, housed within DC Holdings' International Headquarters, was inaugurated with an official unveiling ceremony. During the event, Xu Minzhong, then Member of the Kunshan Municipal Party Standing Committee and Head of the United Front Work Department, led a delegation to inspect DC Holdings' International Headquarters, laying institutional groundwork for deepened strategic collaboration between the tech conglomerate and Kunshan's municipal development agenda.

November

- DC Holdings' subsidiary has secured a contract with a Central Asian bank for its self-developed Sm@rtFCCS3.0, a next-generation cross-border card payment processing system. This achievement showcased China's fintech innovation through technological empowerment and digital solutions export, driving overseas banks' digital transformation, advancing the Belt and Road Initiative's digital infrastructure goals, and enhancing regional financial ecosystem development.

December

- At the 2024 Shenzhen High-Quality Development Conference, DC Holdings' subsidiaries inked strategic collaboration agreements with Yunji Technology and Wanda Hotels & Resorts respectively, marking a crucial step in propelling intelligent transformation within the hospitality sector.

- In the national Enterprise Standards Frontrunner assessment program jointly initiated by 8 government ministries, DC Holdings' subsidiaries have retained dual leadership honors for consecutive years, recognized as "Industry Pacemakers" in both logistics service standardization and central bank financial information services (API application sector), reaffirming our technological supremacy in mission-critical infrastructure development.

- DC Holdings' subsidiary served as the official technical support partner for the 2nd Henan Provincial Logistics Industry Vocational Skills Competition, empowering the event to advance skill development, accelerate technological innovation, foster cross-sector collaboration, and establish a benchmark for digital transformation in China's modern logistics ecosystem.

Awards

April 2024

On 11th April 2024, DC Holdings was awarded one of the top 100 innovative cases of the 2024 National "AI +" Initiative.

May 2024

On 25th May 2024, DC Holdings' subsidiary won the first prize in the data development and application category for rural revitalization in the data element track.

June 2024

On 6th June 2024, DC Holdings' subsidiary was awarded the Best Practice Project Award for the 2023-2024 ECR Case by the ECR Professional Committee.

On 28th June 2024, DC Holdings won the AI Innovation Award.

July 2024

On 19th July 2024, DC Holdings was awarded the ESG New Benchmark Enterprise Award by Securities Star.

August 2024

On 21st August 2024, DC Holdings' subsidiary was listed on the "2024 Fortune China's 50 Most Innovative Technology Companies".

On 22nd August 2024, DC Holdings was awarded the top spot in the "2024 Top 50 Big Data Solutions".

On 26th August 2024, DC Holdings' subsidiary was honored with two awards: "Top 50 Most Influential Fintech Companies in China 2024" and "Top 10 Outstanding Fintech Service Providers".

September 2024

On 10th September 2024, DC Holdings claimed the championship in "2024 Top 50 Data Intelligence Service Providers".

On 13th September 2024, DC Holdings ranked first in the "2024 Top 50 Digital Twin Solution Providers".

Awards

September 2024

In September 2024, DC Holdings' subsidiary was selected as an outstanding achievement for the special exhibition at the 2024 World Computing Conference.

On 26th September 2024, DC Holdings ranked 30th on the 2024 Beijing Top 100 Private Enterprises List.

On 26th September 2024, DC Holdings ranked 36th on the 2024 Beijing Top 100 Private Enterprises Social Responsibility List.

October 2024

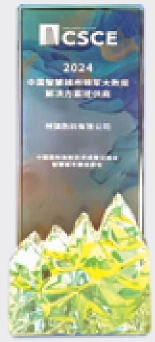
On 25th October 2024, DC Holdings' subsidiary won the third prize in the financial services track of the first "Data Element x" National Finals.

November 2024

On 9th November 2024, DC Holdings was awarded the Zhiyuan Award ESG Pioneer Award by Caixin Media.

November 2024

On 14th November 2024, DC Holdings' subsidiary was awarded the title of "Leading Big Data Solution Provider for Smart Cities in China 2024" by the Smart City Organizing Committee of the China National High-Tech Fair.



December 2024

On 4th December 2024, DC Holdings won the top position in the 2024 ESG Performance Ranking for Hong Kong-listed companies in the information technology industry by Huazheng Index.

On 11th December 2024, DC Holdings was awarded the Best ESG Company Award by Smart Finance.

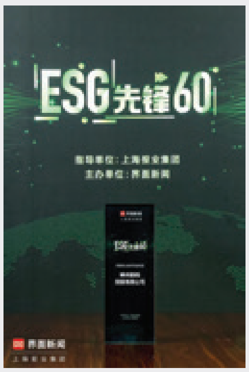
Awards

December 2024

On 17th December 2024, DC Holdings' subsidiary was awarded the 2024 Data Intelligence Innovation Award.

On 17th December 2024, DC Holdings' subsidiary won the 2024 National Enterprise Digital China Construction Innovation Excellent Application Case Award.

On 18th December 2024, DC Holdings was awarded the Annual Social Responsibility Excellence Award by Jiemian News.



On 18th December 2024, DC Holdings' subsidiary was awarded the "2024 Leading Enterprise Award in Financial Technology".

December 2024

On 21st December 2024, DC Holdings was honored with the "Annual Influential Enterprise" award by Blue Whale News.

On 27th December 2024, DC Holdings won the Most Valuable Brand Award by Cailian Press.

Chairman's Statement

Mr. GUO Wei

From the first electronic tube computer "103" in China to the emergence of the "Galaxy" series of supercomputers, from the popularization of the Internet to the rise of the digital economy, the engine of digitalization has been roaring continuously. From the mission of the "Digital China" to the launch of the "Internet Plus" action plan, which initiated the wave of industrial digital transformation, from the "Twenty Data Policies" to the release of the "Guiding Opinions on the 'A.I.+' Action", in this grand transformation, DC Holdings has always been keeping abreast of the times. We are well-aware that only by integrating the destiny of the enterprise with the national strategy can it remain vibrant, and the value of technology can only be sustained by serving social needs.

In recent years, the development of A.I. LLM has continuously been making waves around the world. As an enterprise regarding digitalization as its mission and belief, we have maintained a calm perception, seeing both opportunities and challenges. In recent years, with the iterative updates of ChatGPT constantly exciting the domestic A.I. field, an increasing number of domestic A.I. LLMs have been emerging, which formed "Battle of the Hundred Models". However, with the appearance of DeepSeek, the situation has suddenly changed, indicating that developing basic A.I. LLMs should not be the first choice for most enterprises. Although profound breakthroughs in A.I. technology have been achieved, on the path of digitalization, a more urgent task for enterprises is how to implement A.I. technologies in scenario-based applications. Based on over 20 years of experience in digital transformation, as well as deep understanding of the technological paradigms, business models, and management methods of enterprises, we have provided the answer of "A.I. for Process". We have been kept concentrating on the strategic layout of "Big Data + A.I.", in order to enable data to create value and A.I. applications to be better implemented. In the unprecedented era of great changes, we have succeeded in advancing with the times and striving to complete our own transformation.

In 2024, DC Holdings has smoothly completed the strategic positioning and organizational optimization, which resulted in clearer strategic objectives and proper business layout. We have continuously increased investment in data intelligence, innovatively developing more technology-driven products and solutions that can promote the release of data value and the application of A.I. technologies. This has not only provided a solid foundation for our own digitalization process, but also offered comprehensive technical empowerment to more industry clients. In particular, we have achieved fruitful results in core scenarios namely supply chains, industrial manufacturing, FinTech, and hospitality, effectively broadening the path for applying "Big Data + A.I." in industry verticals.

Under the strategic guidance of "Big Data + A.I.", A.I. application scenarios and the value of data intelligence are interdependent. During the past 20+ years, we have productively accumulated rich resources, capabilities and experience in data. Based on the Yan Cloud Technology, we have built a digital intelligence platform, providing data collection, data governance, data analysis and other services for both government and enterprise customers. For the time being, with the emergence and development of A.I. LLMs, the significance of obtaining high-quality data has become even more important. In respect to the construction of data value chain, we have created a "three-in-one" platform, which comprehensively integrated A.I. infrastructures, data governance, and algorithm applications. With the support of "three-in-one" platform, we have provided full range of products and solutions for data collection, storage, computing, management and application, as well as data asset trading. Furthermore, we have implemented a great number of projects in Jilin, Hong Kong, and other places, which served the construction of local A.I. infrastructures. We have also continuously injected new vitality into the digitalization of government and enterprises in Jiangsu, Fujian, Shandong and other places. Additionally, we have served dozens of customers in the financial industry, including major state-owned banks and multiple joint-stock banks, helping to unlock and release the value of financial data.

Chairman's Statement

As a key component of DC Holdings' principal business, the digital supply chain offers excellent scenarios for A.I. applications in industry verticals, while serving as an important infrastructure for the development of digital economy. We have been deeply involved in this field for 20+ years, with our business evolving from basic supply chain operations to the Digitized Supply Chain System (include OMS, WMS, TMS, BMS, etc.), and then to the KingKoo Data Platform. More importantly, we have never stopped integrating digital technologies with industry verticals. While persistently achieving essential breakthroughs in our digital supply chain business, we have also created significant benefits for customers by promoting micro-innovations. From IT, 3C, Automobile to Retail FMCG, we have been replicating our capabilities across diverse industries. Manifestly, supply chains hold a core position in the production process of every enterprise. Adhered to concept of "A.I. for Process", we have successfully built a supply chain control tower system, which provided potent support for our enterprise customers in enhancing quality, reducing costs, and improving efficiency. Moreover, in core scenarios of financial business, our platform products have provided in-depth services including LLM tuning and pre-training, as well as RAG and AI Agent. Accordingly, the main application scenarios of multiple enterprise clients have been served, which incorporate "operation and maintenance, office work, and business management". Additionally, with our business network covering over 2,600 outlets across the country, we have consistently promoted our deployment in the sinking market. Relying on our outstanding advantages of low service costs and high response speed，we have persisted in replicating our full-stack end-to-end data intelligence solutions to clients in more industries, such as hotels and supermarkets. Notably，throughout the reporting period，we have efficiently advanced the iterative upgrade of the Yan Cloud Technology，which won the first prize of the National Invention Award，by strengthening the cooperation with prestigious universities like Peking University to facilitate the application of A.I. technologies. As we have always been striving for, we are still aiming to truly benefit enterprise customers and society with leading digital technologies.

As the wave of digital economy is driving the world towards a more closely-knitted community, China, with its comprehensive opening-up to the outside world, is exporting our products, services, and technologies to the world. While serving major customers such as Huawei, ZTE, Honor, and BYD in their overseas expansion, we are also actively accelerating our overseas business deployment. Depending on our advantageous position as a Hong Kong-listed company, we provide leading technological support for local industrial upgrading with our advanced data intelligence technology and one-stop supply chain service capabilities. China's digital technology is bringing about new changes to the world on an unprecedented scale and at an unprecedented height. The spring breeze of Digitalizing China is blowing across the world. The digitalization journey of DC Holdings has always been in line with the development trend of the country, and has also a process of making progress together with our customers. Thus，sticking to our "customer-first" approach, we have been perpetually upholding the values of "Customer Success, Value Creation". In the past year, we have garnered remarkable acclaim from multiple major customers, including Huawei, P&G, China Mobile, and Hsu Fu Chi, which is an affirmation of our continuous improvement in service quality and fulfillment of service commitments.

In the foreseeable future, the development of A.I. technologies is doomed to witness an exponential leap, with this intelligent revolution reshaping the fundamental operational logic of human society. As a pioneer dauntlessly implementing our "Digital China" mission, we must not only foster innovation by proactively embracing the changes, but also take on the role of ecosystem builders to integrate partner resources. Accordingly, we will achieve the target by constructing our full-chain data intelligence solutions, which cover data governance, model optimization, and scenario implementation, bridging the last mile from technological breakthroughs to industrial empowerment. While realizing the coexistence of commercial value and customer value, we will ultimately make the benefits of intelligent technologies accessible to the general public — this is not only our fundamental pursuit of "Tech for Good", but also our cardinal responsibility as a leading constructor of the digital age.

60 years ago, the older generation of scientists built the backbone of China by giving birth to the first hand-cranked computer. For the time being, we are using A.I. technologies to construct the future of Digital China. Therefore, DC Holdings will always remember that our value lies in whether we can make factory machines smarter, supply chain operations more efficient, and city operations more humanized. On the new journey, there may still be steep cliffs to climb in technological breakthroughs, mists to clear in business models, and turbulent waves to brave in international competitions. At all events, we firmly believe that as long as we maintain the tenacity of "sitting on the cold bench" and the courage to "chew through hard bones", we will undoubtedly carve out a brilliant coordinate for Chinese technology enterprises in the starry sky of digital civilization.

Management Discussion and Analysis

I. ABOUT DC HOLDINGS

1. Strategic Positioning

Throughout the preceding year, DC Holdings has remained unwaveringly adhered to the original mission of "Digital China", and further focused on the "Big Data + A.I." strategy. Accordingly, relying on our fundamental advantages of industry insights, technological innovation and partner ecosystem, the Group has kept delving into core industry verticals for digital transformation, namely supply chains, FinTech, industrial manufacturing and hospitality. Also, the Group has persisted in promoting the digital upgrade of diverse industries, as well as empowering the high-quality development of the real economy.

2. Business Review for the Reporting Period

During the year ended 31 December 2024 (the "**Reporting Period**"), the Group's total revenue was RMB16.66 billion, gross profit was RMB2.29 billion, and net loss attributable to equity holders of the parent from the principal business was RMB254 million. The current period's loss was mainly due to the slowdown in the digital transformation process of customers in the industry where the non-wholly-owned subsidiary, Digital China Information Service Group Company Ltd. ("**DCITS**"), operates, as well as the increasingly fierce competition in the industry, which affected the quality of business. Additionally, it was compounded by the impairment of goodwill in non-strategic business segments and losses from historical investments. The net loss contributed by DCITS was RMB213 million, with a loss suffering from historical investment amounting to RMB68 million. Excluding these impacts, the Group's principal business has seen healthy development. Additionally, the Group has strong asset strength, abundant cash flow, and robust project pipeline. As of 31 December 2024, the Group's total assets amounted to RMB22.31 billion, and net assets amounted to RMB9.51 billion; net cash flow generated from operating activities was amounted to RMB600 million. In addition, the Group has newly signed contracts worth RMB11.38 billion, and signed but undelivered contracts worth RMB6.94 billion, laying a solid foundation for the Group's long-term and sustainable development.

Amidst a complex and shifting external landscape, and within an unprecedentedly competitive market atmosphere, our strategic direction of scenario-based application of "Big Data + A.I." remains resolute. With determination, the Group has remained navigating through cyclical fluctuations and forging ahead. By deeply exploring the value of scenarios to reconstruct the customer value chain, continuously iterating technological products and industry solutions, accelerating the improvement of product capabilities, upgrading the organizational operation system, and building digital capabilities, the Group has constructed a differentiated competitive barrier, striving to achieve a coordinated improvement in high-quality development and long-term operational resilience.

3. Business Segments

(i) The Big Data Products and Solutions Business Segment: provides sales of data software products focused on "Big Data + A.I.", as well as data solutions for core use cases. Throughout the Reporting Period, the Group's revenue from Big Data Products and Solutions Business Segment was RMB3.24 billion, gross profit was RMB798 million, and the segment loss was RMB461 million, with a goodwill impairment of non-strategic business amounting to RMB365 million.

(ii) 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 utilizing cloud technology, automation and artificial intelligence. Throughout the Reporting Period, the Group's revenue from Software and Operating Services Business Segment was RMB5.48 billion, gross profit was RMB626 million, and the segment profit was RMB183 million.

(iii) The Traditional and Localization Services Business Segment: provides localization services via systems integration services as well as e-commerce supply chain services focused on integrated solutions. The segment also includes business related to investments, property sales and rental, as well as others. Throughout the Reporting Period, the Group's revenue from Traditional and Localization Services Business Segment was RMB7.94 billion, gross profit was RMB868 million, and the segment profit was RMB175 million.

4. Industry Position and Market Influence

The Group has been constantly involved in setting both national and industry standards. Consequently, with forward-looking perspectives, professional viewpoints and innovative practices, the Group has kept providing substantive support to industrial development. As of 31 December 2024, the Group has led or participated in the compilation of a total of 184 national and industry standards, among which 92 were approved and released, and 92 were under research and compilation. Besides, throughout the Reporting Period, in the "Enterprise Standard Leader" selection jointly conducted by 8 national departments, 2 of our subsidiaries once again won the titles of "Leader in Comprehensive Logistics Enterprise Standards" and "Leader in Financial Enterprise Standards".

In addition, with our cutting-edge innovations and explorations in industries such as Big Data and A.I., supply chains and FinTech, the Group has garnered significant acclaims from the market. Specifically, throughout the Reporting Period, the Group was awarded the "2024 Fortune China's 50 Most Innovative Companies in Technology", the "2024 China Software and Information Service Industry Top100 Leading Enterprises" by the China Electronic Information Industry Federation, ranked first in the data collection tool field of the "China Big Data Enterprise Ranking", selected as a core service provider in the "Data Governance Map" by the National Data Standardization Technical Committee, won the "2024 LOG Supply Chain Logistics Breakthrough Innovation Award", the "Best Practice Project of ECR Case 2023–2024", and the first place in the "2024 Top 50 Data Intelligence Service Providers" selected by the Information Center of the Chinese Academy of Social Sciences and other institutions. At the same time, the Group topped both the "2024 Digital Twin Solution Provider" and "2024 Big Data Solution Provider" rankings, fully demonstrating its leading position in technological innovation and industry standard construction.

5. Fulfilling Shareholder and Social Responsibilities

The Group firmly sticks to the core values of "Customer Success, Value Creation, Pursue Excellence, and Open Collaboration", while deeply integrating the concept of sustainable development into strategy implementation, and striving to build a governance system where shareholders' and social responsibility develop in tandem. In the process of promoting ESG governance, the Group has kept actively promoting the comprehensive upgrade of the green supply chain system. Moreover, the Group has persisted in optimizing the supply chain collaboration mechanism, while creating economic, social and environmental value through technological innovations and model transformations. Thus, the Group has succeeded in injecting new impetus into the high-quality development of regional economy and society. Additionally, the Group attaches great importance to the symbiosis of shareholder value and has consistently distributed dividends to shareholders for several years. Throughout the Reporting Period, the Group's overall greenhouse gas emissions decreased by 37.86%, per capita comprehensive energy consumption decreased by 8.54%, and average packaging material consumption per order decreased by 14.75%. As for the Reporting Period, it is anticipated that a final dividend of HK6.0 cents per ordinary share will be paid for the year. This together with the interim dividend of HK1.0 cent (paid during the year 2024) per ordinary share gives a total of HK7.0 cents per ordinary share of the year ended 31 December 2024, corresponding to a cash dividend payout of over RMB100 million.

II. ANALYSIS OF PRINCIPAL BUSINESS OPERATIONS

Closely adhering to our strategy of "Big Data + A.I.", throughout the Reporting Period, the Group has persisted in promoting the implementation of data intelligence product services.

1. Full-stack end-to-end data intelligence products and solutions

Founded on our full-stack technical capabilities of "A.I. infrastructure + data intelligence platform + A.I. application scenarios", the Group has formed an end-to-end service system, which provide services covering business consultation, product solution delivery and maintenance. With the support of our technological service system, the Group has efficiently empowered the digital transformation of multiple industry customers. In particular, the Group has been proactively helping customers not only in the integration of data assets and business needs, but also in the optimization of production processes. As a result, the Group has accomplished in promoting the digital transformation of both government and enterprise customers, thereby enabling data to create value.

Management Discussion and Analysis

As a pioneer in the field of data intelligence in China, the Group has established a leading technological advantage through independent research and development (R&D) and Industry-Academia-Research cooperation. Throughout the Reporting Period, based on our core technologies that won the first prize of National Technology Invention Award, the Group has developed a data intelligence decision-making platform for our enterprise customers, which is equipped with a 3-layer capability system of "data-knowledge-execution". Also, relying on above-mentioned technological capabilities, the Group has productively accelerated the deployment of the trusted data space solution in various cities and industries.

What's more, through multiple years of experience accumulated in smart cities, the Group has kept continually providing in-depth services to local industrial ecosystems in Jilin, Fujian, Shandong, Jiangsu, and the Greater Bay Area. Particularly, the Group has built up solid case studies in a variety of industries including supply chains, industrial manufacturing, water affairs, and hospitality, which repeatedly received recognition from our customers during the Reporting Period.

2. Smart Supply Chain Scenario

Based on 20+years of development, the Group has built up rich industry experience, thereby establishing a full-chain service system covering warehousing, transportation, delivery, e-commerce, cross-border trade, and digital supply chains. At the same time, the Group has kept taking both technologies and scenario-based applications as important driving forces for development, while deeply integrating our technological services with industrial solutions. Meanwhile, the Group has insisted on creating differentiated competitive advantages by penetrating scenarios with technology, and empowering our industry customers with refined supply chain management capabilities.

With the rapid development of A.I., the demands of enterprise customers have been evolving from the construction of a single data platform to the deep integration of business. Relying on our self-developed supply chain management system, the Group has accomplished in creating functional modules involving visual data dashboards, intelligent scheduling, and anomaly warnings, which has significantly resulted in our business value enhancement. Taking our supply chain control tower as an example. The supply chain control tower system can integrate data from all links of supply chains, including procurement, manufacturing, sales, warehousing, transportation, and delivery. Accordingly, a multi-dimensional visual decision-making center is constructed to dynamically optimize delivery plans, achieving operational efficiency improvement and precise cost control. In a case of our lighthouse customers, the Group has satisfactorily helped a leading food-manufacturing enterprise customer integrate 12 systems and develop 150 new functions, while setting up full-chain visualization management of core links incorporating both in-plant and out-of-plant transportation and warehousing. In the case, the Group has also managed to support more than 60 positions with over 1,000 personnel working simultaneously. Additionally, in the case, with core functions namely intelligent scheduling, anomaly warnings, and dynamic monitoring, the Group has helped the customer boost risk warning capabilities by 90%, increase shipping efficiency by 20%, improve in-plant logistics efficiency by over 20%, enhance warehouse efficiency by 5%, reduce material usage by 65%, and optimize 53 key process nodes. This above-mentioned project has successively won the double awards of the 2024 "A.I.+" Application Scenario Challenge organized by the China Federation of Logistics and Purchasing and the 2024 Outstanding Contribution Award of the customer company.

Throughout the Reporting Period, the Group has further expanded its capabilities across the entire chain of production, implementing more integrated data intelligence solutions in both manufacturing and sales domains. In manufacturing domain, the Group has constructed a comprehensive data governance and intelligent analysis platform for a leading enterprise customer. In this case, the Group has used the OEE model to manage the operational data of the enterprise's production equipment, and generate visual predictions and analyses, enabling real-time monitoring and the analysis of production efficiency. Therefore, the Group effectively supported the customer in enhancing efficiency, reducing cost and reengineering production processes. In sales domain, the Group has achieved in providing substantive services to a leading telecommunication enterprise customer, by integrating the customer's historical sales data and inventory data through algorithm models, which resulted in an increase of the sales forecast accuracy from 50% to 80%, a decrease of replenishment cycle by 20%, and an improvement on response speed by 30%.

3. FinTech Scenario

In the FinTech business scenario, with DCITS as our consolidated subsidiary, the Group has kept focusing on "A.I. + Finance", while unceasingly building vertical large models for financial industry, as well as comprehensively promoting the upgrade of intelligent finance. With our full-stack financial digitalization capabilities, the Group has provided in-depth services to over 1,900 financial and quasi-financial clients.

Sticking to the principle of "data empowering business", throughout the Reporting Period, the Group has offered services to customers including a state-owned bank, several joint-stock banks, and dozens of leading city commercial banks and rural credit cooperatives. In the process, the Group has kept striving to build our service capabilities encompassing data assets, data governance, and data security. In specific, the group has successfully supported the institutional reform of several rural credit cooperatives customers, and successively implemented our platform product Sm@rtDDP, as well as other data-middle-office solutions in serving multiple provincial rural commercial banks.

Additionally, the Group has also insisted on exploring AIGC technology, having upgraded 2 key Agents namely "Financial Master" for financial knowledge Q&A and "Code Master" for financial code assistance, launched 3 brand-new Agents namely "Process Modeling Assistant", "Data Modeling", and "Product Modeling", as well as other 2 Agents in the IT service field namely "Test Case Assistant" and "Operation and Maintenance Diagnosis Assistant".

What's more, the group has resoundingly upgraded "DC Lingjing" platform to a more intelligent version, which incorporates a cloud-native digital foundation and 5 key supporting components, namely "A.I., IoT, Data, Application, and Security", already having been practiced, optimized and trained through several use cases. Accordingly, with the implement of Retrieval-Augmented Generation (RAG) and A.I. Agent, the platform has served multiple enterprise customers in major application scenarios including maintenance, office work, and business management.

4. Asset Digitalization Scenario

Up to now, the Group has provided services to over 1,000 advanced hotels. Notably, in the second half of 2024, the Group has prevailed in signing strategic cooperation agreements with YUNJI Technology and Wanda Hotels & Resorts, which led to the formation of complementary advantages in fields incorporating data intelligence software, A.I. hardware and application scenarios, thereby concertedly creating integrated data intelligence solutions to serve more potential hotel customers. Looking into the future, the Group will make the most of our business capability accumulation and data governance technology advantages, with the empowerment of A.I., to achieve an overall solution of "data intelligence services for the hotel industry", and will further replicate this model to other industries with similar business model such as retailing and catering.

The Group has a deep accumulation in asset operation business, covering property services, asset leasing and PropTech, etc. Moreover, the Group has developed strong capabilities of multi-variety operation in the management of Regional HQs, Logistic Parks, Science parks, and R&D Centers. Throughout the Reporting Period, the Group has attained an average asset occupancy rate of over 89%, and an average rental yield of 10%, significantly outperforming other competitors. Particularly, in the field of PropTech, the Group has deeply laid out digital economy industrial clusters, forming a PropTech network deployment spanning across China's key economic zones. Thus, through the deep integration of spatial carriers and industrial ecosystems, the Group has attracted over a hundred high-growth technology enterprises to gather and develop. While facilitating regional industrial upgrading and tax revenue growth, this initiative has simultaneously generated sustainable returns to shareholders, and provided more use cases for asset digitalization.

III. CORE COMPETITIVENESS ANALYSIS

1. Industry scenario insight

Based on 20+ years of in-depth experience in industry scenarios, the Group has formed core competitiveness in multiple key industry verticals, including supply chains, FinTech, industrial manufacturing, and hospitality as mentioned above.

Holding the highest 5A-level qualification of logistics industry, the Group provides both B2B and B2C supply chain services, and possesses the capability of omni-channel operating, catering to the characteristic demands of various client types. For instance, the Group has successfully entered the telecommunication industry by pioneering the full-process serial code tracking management system. Also, the Group has addressed the seasonal peak order issue in FMCG industry by launching a combination of intelligent pre-packaging and pre-sale solutions, which significantly enhanced the peak order processing capacity for clients. What's more, the Group has empowered our clients in apparel industry to reduce inventory turnover costs and to increase product turnover speed by enabling reverse logistics and intelligent replenishment. On balance, the Group has achieved in tackling the "capillary-level" pain points in typical industry scenarios, while addressing common issues across diverse industries by constantly implementing "micro-innovations". Therefore, the Group has accumulated rich client resources, profound industry insights, and powerful capabilities to generate solutions.

Management Discussion and Analysis

As a customer-centric technology enterprise, the Group has established a companion-based customer full life-cycle management system. All along, the Group has possessed a deep insight into customer demand, efficiently addressing customers' pain points and difficulties in supply chain management. Plus, the Group has continuously enhanced the operational capabilities of major customers, obtaining long-term cooperation with major customers such as Huawei, ZTE, Honor, Canon, China Mobile, BYD, P&G, and Li-Ning. Also, the Group has innovated customized solutions for a couple of leading industry customers. As a result, the Group has accumulated common experiences, built reusable models, promoted the modularization of solutions, formed standardized products matching industry characteristics, and provided forward-looking intelligent supply chain solutions for potential industry demands. Looking forward, the Group has strong faith in assisting more industry customers to achieve their objectives of cost reduction, efficiency improvement, and quality enhancement.

Furthermore, the Group has remained focusing on scenario-based applications of A.I. Relying on the business knowledge graph and data governance system accumulated over the years, the Group has developed data intelligence solutions and released industry white papers across a wide range of industries, with a continuous improvement on our standardized replication capabilities.

2. Technological product innovation

Throughout the Reporting Period, the Group has repeatedly boosted our R&D investment, with the amount of R&D expenses in 2024 reaching RMB732 million, maintaining a leading position in the industry. As of 31 December 2024, the Group had accumulated 3,177 intellectual property rights including software copyrights and patents, an increase of 390 compared to the same period last year.

Depending on Yan Cloud DaaS, which won the first prize of the National Science and Technology Invention Award, the Group has been incessantly promoting our solutions of trusted data space. When put into practice, the Yan Cloud DaaS, with its core data interoperability technology, has productively assisted our enterprise customers in breaking down data silos as well as conducting end-to-end data governance, which established a secure, controllable, and transparent data trusted space platform. Therefore, the Group has managed to empower customers in cross-industry and cross-enterprise data circulation and data value mining, promoting the transformation from "data silos" to "data ecosystems".

In addition, the Group has continuously deepened the construction of an Industry-Academia-Research collaborative innovation system, jointly building a new model of integration with universities, research institutions, and industry associations. In the supply chain scenario, the Group has independently developed Digitized Supply Chain System (include OMS, WMS, TMS, BMS, etc.), with its efficient and stable technical performance, once again became the official designated technical support system for the provincial logistics industry vocational skills competition. Focusing on the upgrade and iteration of data intelligence technology, a joint laboratory was established with Peking University to conduct cutting-edge technology research, and in February 2025, a new product, the one-stop data intelligence decision-making service platform "Yanyun Infinity" for enterprises, was officially launched.

3. Aggregation of Partner Resources

With rich industrial accumulation mentioned above, the Group has built a comprehensive ecosystem network covering diverse vertical industries, full products and entire life cycle. Particularly, the Group has joined hands with local governments, world's top universities, leading research institutions, industry associations and channel partners, which formed an ecosystem network spanning across major cities and connecting vertical industries of the country, thereby providing strong support for our business development.

In the field of supply chain, the Group has established a self-operated warehouse network and a supply chain transportation network alliance both at home and abroad. Throughout the Reporting Period, the number of self-operated warehouses exceeded 150, with a storage area of over 1 million square meters, and a business territory covering 300 cities in China and 6 overseas bases. Through the transportation network alliance, the Group has integrated logistics resources globally, supporting efficient domestic supply chain and cross-border logistics, and improving end-to-end fulfillment efficiency. In addition, the Group has connected with over 40 mainstream domestic and cross-border e-commerce platforms, achieving online omni-channel coverage.

In the field of data intelligence, the Group has innovatively created the "Eco-Partners Program", jointly exploring valuable scenario-based cooperations with enterprise customers, local governments and industry associations, with a common purpose to promote digital transformation. Additionally, the Group's integration service business has deployed over 2,600 service outlets nationwide, covering 82% of China's region, which includes 100% of prefecture-level cities, 90% of municipal districts and 85% of county-level cities. The network can precisely meet the demands of regional customers, providing low-cost and fast-response local delivery and maintenance services. Accordingly, the Group has obtained effective penetration of the "Big Data+ A.I." full-stack data intelligence solution in both urban and county-level application scenarios, opening up new growth space.

In the field of overseas business expansion, the Group has kept sticking to the vision of "companion-based services" while empowering Chinese enterprises venturing abroad. Remarkably, a smooth progress of the Group's overseas business expansion has been witnessed. Throughout the Reporting Period, the Group's revenue from overseas business was RMB929 million, with a 2-year CAGR amounting to 41%. Throughout the Reporting Period, the Group has continued to deepen cooperation with leading cross-border e-commerce platforms, providing one-stop solutions to both domestic and overseas customers. Moreover, in the second half of 2024, the Group has successfully achieved strategic cooperation with a leading e-commerce customer, thereby offering comprehensive supply chain services in Vietnam. Also, in the second half of 2024, the Group has completed serving a leading IT customer in the migration of its computing center from China to Singapore, where more intelligent computing sites will be constructed in the future, thereby supporting the customer to quickly deploy real-time inference in cross-border business. Additionally, in the second half of 2024, the Group has deeply participated in the construction of core application systems for banks in multiple Belt and Road (B&R) countries, namely Singapore, Indonesia, Malaysia, Kazakhstan and Cambodia.

IV. FUTURE OUTLOOK

In 2025, China's Government Work Report has laid a strong emphasis on the construction of Digital China, as well as the promotion of "AI+" Initiative. Besides, the report underscores the importance of fully integrating digital technologies with the manufacturing sector, dauntlessly supporting the wide application of A.I. LLMs, and unwaveringly accelerating the development of data elements. At the same time, with the release of the national "Action Plan for Effectively Reducing the Logistics Costs of the Entire Society", reducing logistics costs has become a key strategic measure to improve the efficiency of economic operation. During this strategic opportunity period, the Group will rely on four development measures: Industry Focus, Technological Thrust, Ecosystem Development, and Refined Management, to firmly promote the innovative development of "Big Data + A.I." business.

Industry Focus: Deeply cultivate vertical industries and build integrated service capabilities. The Group will leverage its advantages of understanding both industry scenarios and digitalization, focusing on deployment in key industries incorporating technology, consumption, hospitality, finance, and industrial manufacturing. Also, the Group will build up integrated core competitiveness to serve specific industry customers in R&D, procurement, production, inventory, warehousing, delivery, sales, and reverse recycling. Meanwhile, through the Yanyun Infinity intelligent platform, the Group will passionately advance A.I. technology to be implemented in more vertical scenarios.

Technological Thrust: Empower digital transformation with full-stack technological capabilities. The Group will persistently focus on the organic combination of key industry scenarios and data intelligence technologies, while accelerating the construction of LLMs in the field of logistics. The Group will also keep on iterating the application of intelligent operation algorithms, and forming industry solutions which are operationally digitalized and decision-making intelligent. At the same time, the Group will endeavor to provide one-stop end-to-end digital intelligence solutions to more specific industries, helping enterprise customers to achieve higher goals of quality improvement, cost reduction, and efficiency enhancement.

Ecosystem Development: Improve ecosystem construction and release the value of partner resources. The Group will continuously expand the supply chain network by building ecosystems of data intelligence with partners in terms of technologies, industries, and local governments. Through the well-developed partner ecosystem, the Group will be better equipped to establish more differentiated competencies, and to empower the digital transformation of more industries.

Refined Management: Achieve innovation momentum with standardized operation capabilities. Through refined management operations, the Group will establish more standardized solution capabilities, while continuously carrying out micro-innovations. Moreover, by accumulating our own technological achievements and industry solutions, the Group will enable the rapid reuse and delivery of our products and solutions in similar scenarios across different industries, which can help enterprise customers to achieve more cost reduction and efficiency enhancement, as well as promoting the improvement of the Group's own operational efficiency and quality.

Looking forward, the Group will keep adhering to the concept of "A.I. for Process". Particularly, relying on Yanyun Infinity platform, the Group will empower industry customers through our core competitiveness of "technology + scene + ecosystem", thereby injecting continuous momentum into the high-quality development of real economy. As a result, the Group's sustainable and long-term value creation can be consolidated.

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

As of 31 December 2024, the net book value of the WMP was approximately RMB686 million. The Group has obtained the right to proactively dispose of the ultimate underlying assets associated with the WMP and has formulated disposal plans and specific action plans in relation thereto. The Group pushed forward with the disposal of a real estate residential project (the net book value of which was approximately RMB84 million as of the Reporting Period), one of the ultimate underlying assets of the WMP, in accordance with the action plans. The court has issued a ruling that finalizes the restructuring plan, and the Group is currently planning to carry out related marketing activities through various channels.

The remaining ultimate underlying assets of the WMP involve a market and a commercial complex (the net book value of which was approximately RMB602 million as of the Reporting Period). The market section is operating stably. The commercial complex section is currently undergoing divestment into a new corporate entity in accordance with the final restructuring plan approved by the court. The Group is expected to acquire a controlling interest in this new corporate entity such that the Group can facilitate the disposal of the relevant underlying assets. The Group is currently discussing the details of the asset divestiture with asset managers and has begun preparations for operations after the asset transfer in order to enhance asset value and accelerate the asset disposal.

The Group will continue to push forward the implementation of the action plans and the Company will make further announcement(s) as and when appropriate in the event of any material development on the action plans.

Capital Expenditure, Liquidity and Financial Resources

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

The Group had total assets of approximately RMB22,307 million at 31 December 2024 which were financed by total liabilities of approximately RMB12,800 million, non-controlling interests of approximately RMB3,676 million and equity attributable to equity holders of the parent of approximately RMB5,831 million. The Group's current ratio at 31 December 2024 was 1.42 as compared to 1.50 at 31 December 2023.

During the year ended 31 December 2024, capital expenditure of approximately RMB132 million was mainly incurred for the additions of property, plant and equipment and other intangible assets.

As at 31 December 2024, the Group had cash and bank balances of approximately RMB3,143 million, of which about approximately RMB3,052 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.60 at 31 December 2024 as compared to 0.52 at 31 December 2023. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately RMB3,483 million (31 December 2023: approximately RMB3,283 million) and equity attributable to equity holders of the parent of approximately RMB5,831 million (31 December 2023: approximately RMB6,295 million).

At 31 December 2024, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	RMB'000
Current	
Interest-bearing bank borrowings, unsecured	1,042,080
Interest-bearing bank borrowings, secured	597,099
Current portion of long term bank loans, secured	264,345
Other borrowings	76,991
	1,980,515
Non-current	
Interest-bearing bank borrowings, secured	1,502,222
	1,502,222
Total	3,482,737

Certain of the Group's bank borrowings of:

1. Approximately RMB1,859 million extended by financial institutions to certain subsidiaries of the Group were secured by mortgages over the Group's buildings, investment properties and land use rights with an aggregate carrying amount of approximately RMB3,066 million at 31 December 2024; and

2. Approximately RMB450 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 125,353,900 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 RMB1,404 million at 31 December 2024.

Included in the Group's current and non-current bank borrowings of approximately RMB264 million and RMB1,502 million respectively represented the long-term loans which are repayable from year 2025 to 2037. As at 31 December 2024, approximately RMB1,519 million and RMB1,964 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 2024 amounted to approximately RMB12,741 million, of which approximately RMB1,805 million were in long-term loan facilities, approximately RMB10,936 million were in trade lines, short-term and revolving money market facilities. At 31 December 2024, the facility drawn down from the Group was approximately RMB1,755 million in long-term loan facilities, approximately RMB3,284 million in trade lines, short-term and revolving money market facilities.

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

Management Discussion and Analysis

Contingent Liabilities

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

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

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

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

However, in December 2023, Yihua filed a legal action with the Shenzhen Intermediate People's Court against OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB275.3 million.

On 29 August 2024, Yihua withdrew its claim for infringement damages against DC Jinxin and clarified that only OKI would bear the compensation liability. DC Jinxin is only responsible for ceasing the infringement.

As at 31 December 2024, the case has not yet been adjudicated. Based on the advice from the legal advisor, no material loss will be borne by DC Jinxin.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2024.

Commitment

At 31 December 2024, the Group had the following commitments:

	RMB'000
Contracted, but not provided for, in the consolidated financial statements:	
Land and buildings	20,419
Capital contributions payable to joint ventures	68,250
Capital contributions payable to associates	3,510
Capital contributions payable to financial assets at fair value through other comprehensive income	429
	92,608

Foreign Currency Exposure

The Group is exposed to foreign exchange risk arising from net monetary liabilities in currencies other than the functional currencies of approximately RMB166,236,000 (2023: RMB102,276,000) as at 31 December 2024.

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.

Impairment Losses on Goodwill

The Company recognised impairment loss on goodwill of RMB365 million for the Reporting Period (2023: RMB97 million). The increase in impairment loss on goodwill for the Reporting Period was primarily attributable to Beijing Zhongnong Xinda Information Technology Company Limited* (北京中農信達信息技術有限公司) ("**Zhongnong Xinda**"), a wholly-owned subsidiary of DCITS. As at 31 December 2024 DCITS is indirectly held as to approximately 40% by the Company and its financial results are consolidated into the consolidated financial statements of the Company.

Zhongnong Xinda is principally engaged in the provision of IT services in the agricultural industry and was acquired by DCITS in 2014 at a consideration of RMB710 million, resulting in a goodwill of RMB646 million. During the Reporting Period, the Company recognised an impairment loss of RMB320 million in relation to the goodwill arising from the acquisition of Zhongnong Xinda, mainly due to the decline of the business performance of Zhongnong Xinda in 2024 as impacted by the overall slowdown of the market.

An independent valuer was engaged to estimate the recoverable amount of Zhongnong Xinda as at 31 December 2024 (the "**Valuation**") based on its value-in-use derived using the discount cash flows analysis. The valuer considered that this valuation method is appropriate as it is the primary and most commonly adopted method to assess the value-in-use of a cash generating unit. Such valuation method had been consistently applied in 2024 as compared to 2023.

The key inputs of the Valuation are (i) the financial forecasts covering the next five-year period as approved by the management of Zhongnong Xinda; and (ii) a pre-tax discount rate of 10.81% (2023: 11.18%). Major assumptions of the Valuation include an estimated gross profit margin of 41.28% to 42.08% and revenue growth of 5.00% to 36.44%. Estimated cash flows beyond the forecast period are extrapolated using a growth rate of 1.1% (2023: 1.5%). The decrease in the estimated recoverable amount in respect of Zhongnong Xinda as at 31 December 2024, as compared to that of 2023, was primarily resulted from the decrease in the value of the financial forecasts taking into consideration, among other things, changes in latest business performance and market situation. The financial forecast, assumptions and the selected inputs items to the value-in-use calculations, including discount rates, were established under the same basis and manner as compared to 2023, save for changes that reflect the latest performance of Zhongnong Xinda and market expectations.

Events After the Reporting Period

No significant event of the Group occurred after 31 December 2024 and up to the date of this report.

Human Resources and Remuneration Policy

As at 31 December 2024, the Group had 19,268 full-time employees (31 December 2023: 16,782). 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 8.58% in staff costs to approximately RMB3,875 million for the year ended 31 December 2024 as compared to approximately RMB3,569 million of the last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share-based incentive schemes to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

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

Management Discussion and Analysis

Update on the use of proceeds from the Rights Issue

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

Intended use of the net proceeds from the Rights Issue	Net proceeds RMB'million	Utilised amount as at 1 January 2024 RMB'million	Actual application for the year ended 31 December 2024 RMB'million	Un-utilised amount as at 31 December 2024 RMB'million	Expected to be utilised by 31 December 2025 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	(454)	–	210	210
(ii) Repayment of debt and interest expenses					
(a) Repayment of principal and interest expenses to Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) due in October 2017	160	(160)	–	–	–
(b) Repayment of principal and interest expenses to Western Securities Co., Ltd. (西部證券股份有限公司) due in October 2017	250	(250)	–	–	–
(iii) General working capital purposes	75	(75)	–	–	–
Total	1,149	(939)	–	210	210

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

The Company does not have any intention to change the purposes of the Net Proceeds as set out in the Rights Issue prospectus dated 23 August 2017, and will gradually utilise the un-utilised amount of the Net Proceeds in accordance with the intended purposes mentioned above. As at 31 December 2024, an aggregate of RMB939 million has been utilised from the Net Proceeds.

As at 31 December 2024, the un-utilised Net Proceeds from the Rights Issue amounted to approximately RMB210 million. In 2024, due to the lasting impact of the COVID-19 pandemic, the investment atmosphere was relatively sluggish, and the management of the Company became more cautious in investing in mergers and acquisitions. Therefore, the un-utilised Net Proceeds had not been utilised in full as at 31 December 2024. 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 2025. All of such un-utilised Net Proceeds will be utilised for financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified. It is expected that the un-utilised Net Proceeds will be fully utilised by 31 December 2025.

For further details of the Rights Issue, please refer to the announcements of the Company dated 21 July 2017, 24 August 2017 and 15 September 2017, the rights issue prospectus dated 23 August 2017 and the annual reports of the Company for the year ended 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 of the Company.

Biographical Details of Directors, Senior Management & Company Secretary

CHAIRMAN,
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

Mr. GUO Wei

Mr. GUO Wei, aged 62, 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 Honor (2005). He was also selected as of the 50 Most Powerful Business People in China by Fortune Magazine (Chinese version) in 2011 and 2012.

Mr. Guo is currently the Chairman, the member of the Strategic Committee and the member of the Nomination Committee of Digital China Information Service Group Company Ltd. (formerly known as Digital China Information Service Company Ltd.) and the Chairman, the Chairman of the Strategic and ESG Committee and the member of the Nomination Committee of Digital China Group Co., Ltd. (formerly known as Shenzhen Shenxin Taifeng Group Co., Ltd.) (both listed on The Shenzhen Stock Exchange). Mr. Guo has been appointed as independent non-executive director since 30 April 2021 and is currently the Chairman of the Remuneration and Assessment Committee, the member of the Strategic and Investment Committee, the member of the Audit and Risk Management Committee and the 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). 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 CO., LTD. (formerly known as DigiWin Software Co., Ltd.) (listed on the ChiNext of The Shenzhen Stock Exchange). Besides, Mr. Guo was 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 37 years of experience in business strategy development and business management.

Biographical Details of Directors, Senior Management & Company Secretary

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LIN Yang

Mr. LIN Yang, aged 58, has been an Executive Director since February 2001 and the Vice Chairman of the Group since June 2018. He is also a director of certain subsidiaries of the Company. Mr. Lin graduated in 1988 with a Bachelor's Degree in Computing Communications from the Xidian University and in 2005 with a Master's Degree in Business Administration from Cheung Kong Graduate School of Business. He joined the Group in February 2001 and was previously the Executive Vice President and the President of the Group and was also the Chief Executive Officer of the Group from April 2011 to June 2018. Mr. Lin was the Vice Chairman, Director and a member of the Audit Committee of Digital China Information Service Group Company Ltd. (listed on The Shenzhen Stock Exchange) from January 2014 and April 2018. He joined the Legend group in 1990 and has over 34 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, Senior Management & Company Secretary

NON-EXECUTIVE DIRECTOR

Ms. CONG Shan

Ms. CONG Shan, aged 42, has been appointed as a non-executive Director of the Company on 30 August 2022. Ms. Cong serves as the vice general manager of Guangzhou City Investment Co., Ltd. and a director of Guangzhou New Town Construction Investment Development Co., Ltd. In addition, Ms. Cong was appointed as legal representative and Chairman of Guangzhou Ruiyuan Investment Co., Ltd. on 23 November 2023. All the three companies are subsidiaries of Guangzhou City Infrastructure Investment Group Limited ("**GZ Infrastructure**"). Ms. Cong received a Bachelor of Science Degree from Harbin Normal University in 2006 and a Master's Degree in Engineering from Beihang University in 2013.

Ms. Cong has served several state-owned conglomerates and listed technology companies and has had nearly 18 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, Senior Management & Company Secretary

NON-EXECUTIVE DIRECTOR

Mr. LIU Jun Qiang

Mr. LIU Jun Qiang, aged 45, has been appointed as a non-executive Director of the Company on 28 March 2024. Mr. Liu is currently the deputy general manager of Guangzhou City Investment Co., Ltd. ("**GZ Investment**"), the general manager of Greater Bay Area Culture Industrial Investment Fund Management Co., Ltd. ("**GBA Investment Fund**") and the director of Guangzhou Industrial Investment Fund Management Co., Ltd. ("**GZ Industrial Fund**"), both GZ Investment, GBA Investment Fund and GZ Industrial Fund are subsidiaries of GZ Infrastructure. Mr. Liu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 2002 and a master's degree in business administration from Jinan University in 2008.

Mr. Liu has 22 years of experience in corporate management and investment since 2002. During this period, Mr. Liu was responsible for the work of smart city investment operations, investment management and human resources.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. LIU Yun, John

Dr. LIU Yun, John, aged 61, has been an Independent Non-executive Director of the Company since 25 March 2014. Dr. Liu is an Independent Director of Pixelworks, Inc., a NASDAQ-listed company (NASDAQ: PXLW) since 9 September 2022. He was the board member of the Board of Directors of dormakaba Holdings AG (whose shares are listed in the SIX Swiss Exchange) from October 2020 to October 2024, the CEO of Shenzhen Afiniti Technology Co. Ltd. from October 2020 to April 2022, the board member of the Board of Directors and the Chief Executive Officer of VOSS (an international bottled water brand) from January 2020 to July 2020 and the Chief Advisor of Reignwood Holdings Pte Ltd. (Singapore) from August 2019 to January 2020. 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 PhD 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, Senior Management & Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. KING William

Mr. KING William, aged 59, has been an Independent Non-executive Director of the Company since 29 June 2018. Mr. King is a senior advisor at the MBA office of the Hong Kong University of Science and Technology. He was the Managing Director of Russell Reynolds Associates, Hong Kong from October 2018 to December 2019 and a partner at Egon Zehnder International Company Limited, a global 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. GUO Song

Dr. GUO Song, aged 51, has been appointed as an independent non-executive Director of the Company on 19 August 2024. He has been a professor at the Department of Computer Science and Engineering of the Hong Kong University of Science and Technology since August 2023. He was a professor at the Department of Computing of the Hong Kong Polytechnic University from July 2016 to August 2023; From October 2007 to July 2016, he served as an Associate Professor, Senior Associate Professor and Professor at the School of Computer Science and Engineering of the University of Aizu, Japan; From September 2006 to August 2007, he served as an Assistant Professor at the Department of Computer Science of the University of Northern British Columbia, Canada.

Dr. Guo is an internationally renowned scholar in the field of distributed computing and artificial intelligence. He has been a Fellow of the Canadian Academy of Engineering since 2021, a Foreign Member of the European Academy of Sciences since 2022, a Fellow of the Institute of Electrical and Electronics Engineers since 2020, a Fellow of the Asia-Pacific Artificial Intelligence Association since 2021, and Clarivate Analytics Highly Cited Scientist since 2020.

Dr. Guo graduated from Huazhong University of Science and Technology with a Bachelor's Degree in computer science in July 1995, a Master's Degree in computer engineering from Beijing University of Posts and Telecommunications in July 1998, and a PhD degree in computer science from the University of Ottawa, Canada in March 2006.

Biographical Details of Directors, Senior Management & Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHAN Wai Hong, Michael

Mr. CHAN Wai Hong, Michael, aged 61, has been appointed as an independent non-executive Director of the Company on 19 August 2024. He had worked in international accounting firms for over 30 years and has substantial experience in auditing, corporate internal control and governance, corporate initial public offerings, acquisition and restructuring.

Mr. Chan was a Certified Public Accountant (Practising) in PricewaterhouseCoopers — Hong Kong ("**PwC HK**") and has served as an assurance partner of both PwC HK and of PricewaterhouseCoopers Zhong Tian LLP, Shenzhen Branch from July 2007 until his retirement in June 2024.

Mr. Chan obtained an Honors Degree of Bachelor of Arts majoring in Accountancy in November 1992 and a Master's Degree in Business Administration in October 2001, both conferred by City University of Hong Kong. Mr. Chan was admitted as a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants in 2003 and 1999, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. LI Jing

Dr. LI Jing, aged 47, has been appointed as an independent non-executive Director of the Company on 19 August 2024. She has been an associate accounting professor (with tenure) at the University of Hong Kong since July 2016. She held an academic position as an assistant professor in accounting at the Tepper School of Business at the Carnegie Mellon University from September 2009 to July 2016 prior to joining the University of Hong Kong. She obtained her Bachelor's Degree in economics (major in accounting) and a Master's Degree in management (major in accounting), both conferred by Tsinghua University in July 1999 and July 2002, respectively. She received her PhD degree in accounting from Columbia University in October 2009.

Dr. Li focuses on the research of the role of accounting information and corporate disclosures in mitigating information asymmetry and resolving agency conflicts in settings such as debt financing, executive compensations and corporate takeovers. Her recent work has appeared in top academic journals including the Journal of Accounting and Economics, The Accounting Review, Contemporary Accounting Research, and Review of Accounting Studies. Dr. Li has taught Financial Accounting, Valuations Using Financial Statements, and Fundamental Analysis of Financial Institutions.

Biographical Details of Directors, Senior Management & Company Secretary

PRESIDENT AND CHIEF OPERATING OFFICER

Mr. CAI Yinghua

Mr. CAI Yinghua, aged 47, is the president and chief operating officer of the Group and is responsible for the overall operation of the Group. Mr. Cai majored in computer science and software and holds an EMBA from School of Economics and Management and has profound industry insights and extensive management experience in enterprise-level IT and digital transformation, as well as enterprise marketing and operations management.

Mr. Cai previously held positions as regional president and business line president in large ICT companies, as well as global chief commercial officer and global sales president in a large Internet company. Mr. Cai has served as president and chief operating officer of the Group since 18 September 2024.

Biographical Details of Directors, Senior Management & Company Secretary

CHIEF FINANCIAL OFFICER

Ms. ZHANG Yunfei

Ms. ZHANG Yunfei, aged 52, is the chief financial officer of the Group and is mainly responsible for the Group's business management, strategic investment and financing, Group budgeting and control, financial reporting, corporate financing and tax management. Ms. Zhang is also director of subsidiaries of the Company. Ms. Zhang holds a bachelor's degree in economics from Guanghua School of Management, Peking University, and a master's degree in business administration from China Europe International Business School and has extensive professional skills and management experience in business management, financial management and capital operations.

Ms. Zhang joined Lenovo Technology Ltd. in 1997, and has served as deputy general manager of Digital China's Business Management Department, general manager of Digital China (Jinan) Co., Ltd., deputy general manager of Digital China Technology Limited, general manager of the finance department of Digital China Holdings Limited, CFO of Digital China Group Co., Ltd., director of Beijing Digitone Telecom Co., Ltd., director of DigiWin Software Co., Ltd., director, secretary of the board, CFO, and vice president of Digital China Information Service Group Company Ltd. Ms. Zhang has served as chief financial officer of the Group since 18 September 2024.

Biographical Details of Directors, Senior Management & Company Secretary

COMPANY SECRETARY

Mr. WONG Chi Keung

Mr. WONG Chi Keung, aged 58, 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 34 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

The Company has complied with the code provisions (the "**Code Provision(s)**") set out in the "Corporate Governance Code" (the "**Code**") contained in Part 2 of Appendix C1 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 2024 (the "**Reporting Period**"), except the following deviations from certain Code Provisions with considered reasons as given below:

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

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

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

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

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

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

Code provision C.1.6 stipulates that, among other things, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

During the year ended 31 December 2024, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng, each an independent non-executive Director, were unable to attend annual general meeting of the Company held on 27 June 2024 due to other business commitments or personal affairs.

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

COMPLIANCE WITH THE LISTING RULES

Following the retirements of Mr. WONG Man Chung Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng as independent non-executive Directors upon the conclusion of the annual general meeting of the Company held on 27 June 2024, the Company was unable to comply with Rules 3.10(1), 3.10(2), 3.21, 3.27A and the terms of reference of each of the Remuneration Committee and Nomination Committee as required under Rule 3.26 and Paragraph B.3.1 of Appendix C1 to the Listing Rules. For further details regarding the above retirements, please refer to the announcement of the Company dated 27 June 2024.

On 19 August 2024, (i) Dr. GUO Song has been appointed as an independent non-executive Director; (ii) Mr. CHAN Wai Hong, Michael, who possesses appropriate professional qualifications, accounting and related financial management expertise, has been appointed as an independent non-executive Director and chairman of the audit committee of the Board (the "**Audit Committee**"); (iii) Dr. LI Jing has been appointed as an independent non-executive Director and a member of the Audit Committee; (iv) Dr. LIU Yun, John and Mr. KING William, independent non-executive Directors, have been appointed as members of the nomination committee of the Board (the "**Nomination Committee**"); and (v) Mr. LIN Yang, an executive Director, has been appointed as a member of the remuneration committee of the Board (the "**Remuneration Committee**").

Following the above appointments, the Company had re-complied with Rules 3.10(1), 3.10(2), 3.21, 3.27A of the Listing Rules, and the terms of reference of each of the Remuneration Committee and Nomination Committee adopted as required under Rule 3.26 and Paragraph B.3.1 of Appendix C1 to the Listing Rules. For further details regarding the above appointments, please refer to the announcement of the Company dated 19 August 2024.

CORPORATE CULTURE AND VALUES

The Board endeavors to promote a strong performance culture in the Group to maintain a long-term business. Our corporate culture values high degree of integrity, collaboration, innovation, growth, communication, sound management and moral conduct. The Board believes that such values are vital to ensure services provided by the Group continue to meet the needs of its clients and foster sustainable relationships with business partners. This culture allows us to attract and retain talent and clients and, ultimately, create value for shareholders of the Company.

For detailed information about the company's vision and mission, please refer to the Environmental, Social and Governance Report of the Company for the year ended 31 December 2024, which is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dcholdings.com).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Composition

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

On 28 March 2024, Mr. ZENG Shuigen resigned as Non-executive Director and Mr. LIU Jun Qiang was appointed as Non-executive Director.

Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng retired from office as an independent non-executive Director upon the conclusion of the annual general meeting of the Company held on 27 June 2024.

On 19 August 2024, Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing were appointed as Independent Non-executive Directors.

Further information regarding the respective appointments of Mr. LIU Jun Qiang, Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing are set out in the Report of the Directors at page 54 of this annual report.

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

Biographical details of the Directors are set out under the heading "Biographical Details of Directors, Senior Management and Company Secretary" on pages 23 to 34 of this annual report.

Role and Function

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

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

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. The 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 Independent Non-executive Director who has served on the Board for more than nine years is subject to a separate resolution to be approved by the Shareholders at the annual general meetings of the Company.

Appointments and Re-election

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

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

Independent Non-executive Directors

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

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Mr. CHAN Wai Hong, Michael ("Mr. CHAN")

The Nomination Committee and the Board noted that, prior to his appointment as an Independent Non-executive Director on 19 August 2024, Mr. CHAN was Certified Public Accountant (Practising) in PricewaterhouseCoopers — Hong Kong ("**PwC HK**") and had served as an assurance partner of both PwC HK and PricewaterhouseCoopers Zhong Tian LLP ("**PwC CN**"), Shenzhen Branch from July 2007 until his retirement in June 2024, and that PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch ("**PwC BJ**"), a branch office under PwC CN, was engaged by a member of the Group to provide tax advisory services (including conducting regular tax training, providing updates on relevant tax policies and provision of general advice on tax-related matters) (the "**Tax Services**") for a period of one year commencing February 2024.

Having considered that (i) the provision of Tax Services was led by partners of PwC BJ. Whilst Mr. CHAN is a former partner of PwC CN, and PwC BJ is a branch office under PwC CN, he has never been involved in the provision of any services (including the Tax Services) delivered to the Group by PwC BJ; (ii) the fees for the Tax Services amounted to RMB150,000 only, which were not material to the Group or PwC BJ; (iii) other than the provision of the Tax Services, during the two years immediately prior to the date of Mr. CHAN's appointment, none of PwC HK, PwC CN or PwC BJ has provided services to the Company, its holding company or any of their respective subsidiaries or core connected persons; (iv) Mr. CHAN no longer has any existing relationship with, nor any interest (financial, shareholding or otherwise) in, PwC HK or PwC CN since his retirement in June 2024; and (v) the Board believes that Mr. CHAN would be able to exercise his own professional judgment and draw upon his extensive accounting knowledge and audit experience in providing external and constructive feedback to the Board, and would be capable of exercising judgment independently and free from any undue influence, the Board and the Nomination Committee are satisfied that Mr. Chan is independent and fulfills the independence requirements under Rule 3.13 of the Listing Rules. Save as aforesaid, Mr. CHAN has confirmed that he is independent as regards the other factors set out in Rule 3.13 of the Listing Rules.

Taking into account of all the circumstances described above, the Board and the Nomination Committee are of the view that Mr. CHAN has satisfied the requirement of independence as set out in Rule 3.13 of the Listing Rules.

Dr. LIU Yun, John ("Dr. LIU")

Dr. LIU has been serving as an Independent Non-executive Directors for more than nine years. During his tenure as an Independent Non-executive Director, Dr. LIU has been contributing to the development of the Company's strategy and policies through providing independent, balanced and objective advice. Dr. LIU has never been involved in the daily management of the Company and did not have any relationships or circumstances which would otherwise interfere with the exercise of his independent judgment. Taking into account of all the circumstances described above, the Board and the Nomination Committee consider that Dr. LIU is independent based on the factors set out in Rule 3.13 of the Listing Rules notwithstanding the length of his 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 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. CHAN Wai Hong, Michael (who possesses the appropriate professional qualification, accounting and related financial management expertise), with Mr. KING William and Dr. LI Jing as members.

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

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

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

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

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

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

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

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

Corporate Governance Function

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

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

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

The Remuneration Committee was established on 31 August 2006 with specific written terms of reference. The Remuneration Committee comprises three members and majority of them are Independent Non-executive Directors. The Remuneration Committee is currently chaired by Dr. LIU Yun, John, with Mr. LIN Yang and Mr. KING William as members.

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

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

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

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

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

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

During the Reporting Period, the Remuneration Committee reviewed the remuneration structure and packages of the Directors and senior management and the current remuneration packages of the 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.

REMUNERATION OF SENIOR MANAGEMENT OF THE GROUP

Pursuant to code provision E.1.5 of the Code, the remuneration of the senior management of the Group by band for the year ended 31 December 2024 is set out below:

Remuneration band	Number of person(s)
Nil to RMB1,000,000	2

NOMINATION COMMITTEE

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. LIU Yun, John and Mr. KING William 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 Board diversity Policy 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 has reviewed the independence of the Independent Non-executive Directors and assessed the Independent Non-executive Directors' contribution. The Nomination Committee recognises (and the Board agrees) that the overall number of Directors on the Board is relatively high, and there is room for improvement in the Board structure in the future in view of the current scale of the Group's business. It has also reviewed the overall contribution and service made by retiring directors to the Group, the benefits of re-electing the retiring directors to the Group and considered the retiring Directors' level of participation and performance in the Board. The Nomination Committee made recommendations to the shareholders on the proposed re-election of Directors at the AGM.

DIRECTOR'S ATTENDANCE RECORDS AT MEETINGS

Details of the attendance of each Director at the following meetings (attended/held) during the Reporting Period are set out below:

Board members	Committee members			Number of meetings attended/held					
	Audit Committee	Remuneration Committee	Nomination Committee	Board Meeting		Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
				Regular	Ad Hoc				
Executive Directors									
GUO Wei (Chairman and Chief Executive Officer)	–	–	Chairman	4/4	4/4	N/A	N/A	2/2	1/1
LIN Yang (Vice Chairman)	–	Member	–	4/4	4/4	N/A	1/1	N/A	1/1
Non-executive Directors									
CONG Shan	–	–	–	2/4	4/4	N/A	N/A	N/A	1/1
LIU Jun Qiang *(Note 2)*	–	–	–	2/3	1/3	N/A	N/A	N/A	1/1
ZENG Shuigen *(Note 4)*	–	–	–	0/1	0/1	N/A	N/A	N/A	N/A
Independent Non-executive Directors									
LIU Yun, John	–	Chairman	Member	4/4	3/4	N/A	2/2	1/1	1/1
KING William	Member	Member	Member	4/4	4/4	4/4	2/2	1/1	1/1
GUO Song *(Note 3)*	–	–	–	2/2	1/2	N/A	N/A	N/A	N/A
CHAN Wai Hong, Michael *(Note 3)*	Chairman	–	–	2/2	2/2	2/2	N/A	N/A	N/A
LI Jing *(Note 3)*	Member	–	–	2/2	2/2	2/2	N/A	N/A	N/A
WONG Man Chung, Francis *(Note 5)*	Ex Chairman	Ex Member	Ex Member	2/2	1/1	2/2	0/0	1/1	1/1
NI Hong (Hope) *(Note 5)*	Ex Member	–	–	2/2	1/1	1/2	N/A	N/A	0/1
CHEN Timothy Yung-Cheng *(Note 5)*	–	–	Ex Member	1/2	1/1	N/A	N/A	1/1	0/1

Notes:

(1) The attendance represents actual attendance/the number of meetings a director is entitled to attend.
(2) Mr. LIU Jun Qiang has been appointed as Non-executive Director on 28 March 2024.
(3) Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing have been appointed as Independent Non-executive Directors on 19 August 2024.
(4) Mr. ZENG Shuigen resigned as Non-executive Director on 28 March 2024.
(5) Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-Cheng retired as Independent Non-executive Directors at the conclusion of the annual general meeting of the Company held on 27 June 2024.

DIRECTOR INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Corporate Governance Report

BOARD DIVERSITY POLICY

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

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

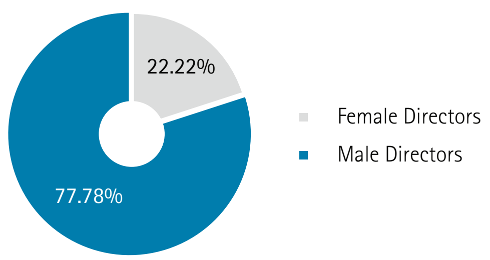
The Board is commissioned to monitor the implementation of the Board Diversity Policy and has the primary responsibility for identifying the suitably qualified candidates to the Board with regard to the Board Diversity Policy.

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

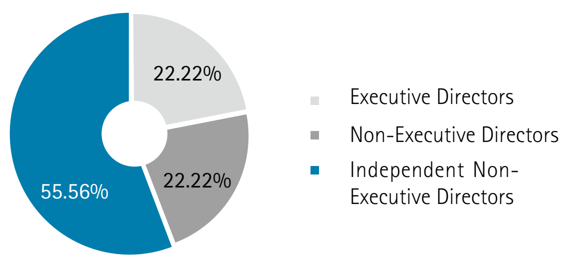
As at the end of the Reporting Period, the diversity of the Board is shown in the following graphic illustrations. Out of the nine Directors comprising the Board, two of them are female. Two of the nine Directors are Non-executive Directors and five of them are Independent Non-executive Directors, thereby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

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

Gender



Role



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

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

WORKFORCE GENDER DIVERSITY

Set forth below are the gender ratio in the Group's workforce in 2024 and 2023:

2024	**Male**	**Female**
Workforce (including senior management)	**75%**	**25%**

2023	Male	Female
Workforce (including senior management)	76%	24%

The Company recognises the importance of maintaining gender diversity and recruits employees at all levels based on merits. In 2024, the proportion of female employees in the Group's workforce was 25% (2023: 24%). Based on the existing composition of workforce and the nature of the information technology industry which is male workforce intensive, in order to enhance the gender diversity across the workforce of the Group, the Group has set a target to increase the proportion of female employees and senior management to one third by 2030. Such target shall be revisited based on the business development needs of the Group, expected size of each department, possible barriers and other relevant considerations.

REMUNERATION OF AUDITOR

For the Reporting Period, remuneration to the Auditor was approximately RMB2,556,000 for audit services and approximately RMB164,000 for non-audit services on review relating to the financial statements of offering and issuance of Taiwan Depositary Receipts.

RISK MANAGEMENT AND INTERNAL CONTROL

I. Risk Management and Internal Control

1. Risk Management and Internal Control Notions

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

2. Features and Effectiveness of Risk Management and Internal Control

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

On behalf of the Board, the Audit Committee continuously reviews the risk management and internal control system. The review procedures include, but are not limited to, listening to the reports delivered by, among others, the business management teams, the Internal Audit Department, the Compliance Management 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 2024, 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 and Listing Rules compliance functions were performed by sufficient staff who were suitably qualified and experienced and who had received proper training and been adequately developed and that the same are effective. 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 defense model and, under the supervision and guidance of the Board, established the organisational structure, involving Compliance Management Department and Internal Audit Department, for risk management and internal control. The optimisation and refinement of the structure are undertaken every year in view of the actual circumstances of the Group.

- **First line of defense — operations and management (directly responsible for risk prevention and control):** 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 identification, assessment and control of compliance risks in business processes.

- **Second line of defense — risk management (providing professional support and monitoring for the first line of defense):** Mainly composed of the Group's Compliance Management Department; it is responsible for monitoring, analyzing and evaluating compliance risks from a professional perspective by formulating corporate compliance systems and processes, conducting systematic compliance risk assessment and providing rectification suggestions and new compliance process. As such, the second line of defense assists the first line of defense in establishing and refining the risk management and internal control system.

- **Third line of defense — independent protection (independent evaluating and monitoring the effectiveness of the first two lines of defense):** 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 2024, 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 overall risk profile of the Group and reviews the changes in the nature and severity of the Group's material risks. The Audit Committee is of the opinion that the management has taken appropriate measures to address and manage key risks and has maintained risks at a level acceptable to the Board.

As the scale, scope and complexity of its businesses and the external environment continue to change, the Group's risk profile may be subject to change. The followings is a summary of the material risks currently faced by the Group, any changes in the material risks compared to last year, and the risk-countering measures that have been implemented.

The following table shows the top three material risks of the Group in 2024:

Rank	Risks
1	Risk relating to market demand
2	Risk relating to competition
3	Risk relating to price

Compared with 2023, the top three risks in 2024 have changed: the risk relating to market demand has risen to first place; the risk relating to competition has risen to the second place; and the risk relating to price has risen to the third place.

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

- *Changes in Market Demand*

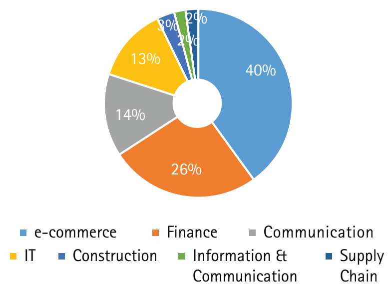
  With the deepening of digital transformation, the demand for big data in various business sectors is growing. In many fields such as finance, medical care, education, retail, and intelligent manufacturing, big data has become an important driving force for enterprise transformation and upgrading. With the changes in the external environments and economic situations, the market demands of different business sectors are affected to varying degrees.

  In response to the risk of changes in market demand, the Group has taken proactive measures:

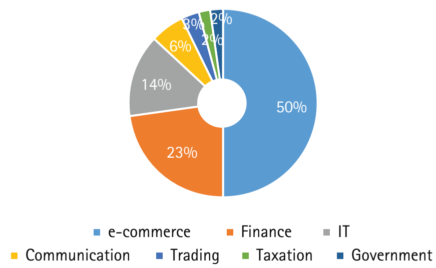
Corporate Governance Report

The Group closely monitors changes in the economic environment and business demands, focuses on research on the macroeconomic situation, policy changes and customer needs, and promptly adjusts relevant product and service strategies; diversifies risks by optimizing promotion channels and diversifying asset allocation, and reduces dependence on a single market or single customer demand; creates unique brand value and differentiation, improves service quality and efficiency, increases customer satisfaction, and enhances customer loyalty.

TOP 20 Customers in different Industries for 2023



TOP 20 Customers in different Industries for 2024



From the above statistical comparison chart, it can be seen that in 2023 and 2024, although the ranking and proportion of revenues from the Group's major customers have changed, customers in the four business sectors of e-commerce, finance, communications and IT sector accounted for more than 93% of the TOP 20 customer revenue in each year in the past two years, and the overall change was not material.

- *Market Competition*

  With the continuous development of technology and the expansion of application scenarios, the continuous emergence of new companies has intensified market competition in the big data sector.

  The Group continues to conduct targeted market research, analyzes its own and competitors' capital, strategy, products and customers, fully understands the market environment and competitors' situation; strengthens its understanding of changes in customer demand, improves its comprehensive quality in various related business fields, understands and guides customer needs; relying on our strong technical advantages in various business fields and the accumulation of solutions for various business scenarios and big data, we continue to strengthen our capabilities in marketing, service operations, system management and talent reserves to support business development and enhances the overall competitiveness of the Company.

  In 2024, the Group turned the challenges of market competition into opportunities and, by enhancing its own strength, strategic focus and market expansion, have more than 2,000 new customers year-on-year. The revenue from new customers accounted for 12.7% of the annual total revenue, yielding significant results.

- *Pricing Management*

  Intense market competition, fluctuations in exchange rates, and changes in labor and product costs have also increased market price volatility to a certain extent.

  The Group has implemented the following measures to reduce the adverse effects of market price fluctuations:

First, by researching market conditions, we gained timely insights into factors affecting market price fluctuations, eliminating market noise and formulating reasonable pricing strategies; second, utilizing a resource procurement platform, we cultivated ecological partners, developed various ecosystems, and shared in extensive growth, thereby enhancing operational quality and constructing cost advantages for marketing; third, leveraging our technological advantages, we provided personalized services based on customer needs, actively achieving product upgrades and service differentiation, allowing customers to perceive value enhancement and thus improving our pricing advantages.

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 Compliance Management Department — monitoring, analyzing and evaluating compliance risks from a professional perspective by formulating corporate compliance systems and processes, conducting systematic compliance risk assessment and providing rectification suggestions and new compliance process;

- 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.

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.

DISCLOSURES ON INSIDE INFORMATION

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 61 to 66 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 (www.dcholdings.com); and (iv) the holding of press conference(s) and meeting with investors and analysts from time to time. In addition, Shareholders may direct their enquiries or views as to any matters affecting the Group to the Company in accordance with procedures set out in the section headed "SHAREHOLDERS' RIGHTS" below.

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

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

SHAREHOLDERS' RIGHTS

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

The Shareholders are encouraged to use their attendance at general meetings of the Company to ask questions about or comment on the results, operations, strategy, corporate governance and/or management of the Group. The Board members, in particular, either the Chairman or members of the Board committees, appropriate management executives, 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 dch-ir@dcholdings.com.

PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

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

DIVIDEND POLICY

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Reporting Period, there were no changes in the New Bye-Laws of the Company.

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 2024.

PRINCIPAL ACTIVITIES

As a technologically leading big data company, the Group is dedicated to empowering core use cases including smart supply chains, FinTech and government-enterprise services through "Big Data + A.I." technologies to provide our customers with a full-suite of end-to-end data intelligence products and solutions, software and operating services, systems integration and supply chain services. Details of the principal activities of the principal subsidiaries of the Group are set out in note 47 to the financial statements.

RESULTS AND DIVIDENDS

On 30 August 2024, the Directors declared an interim dividend of HK1.0 cent per share of the Company (the "**Share(s)**") (2023: HK1.0 cent per Share) for the six months ended 30 June 2024 and which was paid on 14 October 2024.

The Group's results for the year ended 31 December 2024 and the Group's financial position as at that date are set out in the financial statements on pages 67 to 181 of this annual report.

The Board recommends the payment of a final dividend of HK6.0 cents per Share for the year ended 31 December 2024 (2023: HK6.0 cents per Share), subject to the approval of shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 and market and business outlook are set out in the section headed "Management Discussion and Analysis" on pages 12 to 22 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report. A description of the Group's key relationships with stakeholders, environmental policies and performance and compliance with relevant laws and regulations having significant impact on the Group's business can be found in the Environmental, Social and Governance Report of the Company for the year ended 31 December 2024 (the "**ESG Report**"), which is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dcholdings.com).

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 183 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 2024 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 2024 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 2024 are set out in note 36 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Companies Act of Bermuda 1981, amounted to RMB613,447,000. In addition, the Company's share premium account, in the amount of RMB4,139,709,000 may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

As provided by the New Bye-Laws, every Director shall be indemnified out of the Company's assets against any liability incurred by the Director, to the extent permitted by Bermuda law. Such permitted indemnity provision has been in force throughout the year ended 31 December 2024 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 2024 and up to the date of this report were:

Executive Directors

Mr. GUO Wei (Chairman and Chief Executive Officer)
Mr. LIN Yang (Vice Chairman)

Non-executive Directors

Ms. CONG Shan
Mr. LIU Jun Qiang *(Note 1)*
Mr. ZENG Shuigen *(Note 3)*

Independent Non-executive Directors

Dr. LIU Yun, John
Mr. KING William
Dr. GUO Song *(Note 2)*
Mr. CHAN Wai Hong, Michael *(Note 2)*
Dr. LI Jing *(Note 2)*
Mr. WONG Man Chung, Francis *(Note 4)*
Miss NI Hong (Hope) *(Note 4)*
Mr. CHEN Timothy Yung-Cheng *(Note 4)*

Notes:

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

2. Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing were appointed as Independent Non-executive Directors of the Company on 19 August 2024.

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

4. Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng retired as independent non-executive directors of the Company upon the conclusion of the annual general meeting of the Company held on 27 June 2024.

In compliance with Rule 3.09D of the Listing Rules, (1) Mr. LIU Jun Qiang, who was appointed as a Non-executive Director of the Company on 28 March 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 26 March 2024; and (2) Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing who were appointed as Independent Non-executive Directors of the Company on 19 August 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 14 August 2024. Each of Mr. LIU Jun Qiang, Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing has confirmed that he/she has understood his/her obligations as a director of the Company.

In accordance with Bye-Law 99 of the New Bye-Laws, Ms. CONG Shan, Dr. LIU Yun, John and Mr. KING William will retire from office by rotation. In accordance with Bye-Law 102(B) of the New Bye-Laws, Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing who were appointed as Director with effect from 19 August 2024 will hold office until the forthcoming annual general meeting of the Company. All of the retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

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

Changes in the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Changes
LIU Yun, John	• Retired as member of the board of directors of dormakaba Holdings AG (whose shares are listed in the SIX Swiss Exchange) with effect from 10 October 2024
CONG Shan *(Note (i))*	• The annual director's fee of Ms. CONG Shan of HK$300,000 was approved by the board of Directors on 19 August 2024 with effect from such date
LIU Jun Qiang *(Note (ii))*	• The annual director's fee of Mr. LIU Jun Qiang of HK$300,000 was approved by the board of Directors on 19 August 2024 with effect from such date

Notes:

(i) As at the date of this annual report, the payment of the director's fee was pending as Ms. CONG Shan has not provided details of her personal bank account to the Company.

(ii) As at the date of this annual report, the payment of the director's fee was pending as Mr. LIU Jun Qiang has not provided details of his personal bank account to the Company.

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 in an annual general meeting in accordance with the New Bye-Laws; or (iii) in the event of the Director's default under the terms of the said service agreement.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company which is not a contract of service with any director of the Company or person engaged in full-time employment of the Company was entered into or subsisted during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in notes 38 and 44 to the consolidated financial statements of this report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted as at 31 December 2024 or at any time during the year ended 31 December 2024.

RELATED PARTY TRANSACTIONS

The related party transactions disclosed in note 44 to the consolidated financial statements of the Group for the year ended 31 December 2024 did not constitute connected transactions under the Listing Rules. The Company has complied with, where applicable, the requirements under Chapter 14A of the Listing Rules throughout the year ended 31 December 2024.

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 2024 are set out in note 38 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 38 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme" and "Restricted Share Award Scheme" of this report, no equity-linked agreements were entered into during or subsisted at the end of the year ended 31 December 2024.

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 2024 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 2024, the interests and short positions of each Director and chief executive of the Company and their associates in the Shares, 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 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 6)*
GUO Wei	Beneficial owner and interests of controlled corporations	107,996,707	183,784,857 *(Note 2)*	67,116,974 *(Notes 3 & 4)*	358,898,538	21.44
LIN Yang	Beneficial owner	3,571,734	–	14,448,974 *(Notes 3 & 4)*	18,020,708	1.08
LIU Yun, John	Beneficial owner	100,000 *(Note 5)*	–	1,332,000 *(Note 4)*	1,432,000	0.09
KING William	Beneficial owner	100,000 *(Note 5)*	–	1,332,000 *(Note 4)*	1,432,000	0.09

Notes:

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

2. These 183,784,857 Shares were beneficially held by Mr. GUO Wei's controlled corporations, Kosalaki Investments Limited ("**KIL**") and Digital China Group Co., Ltd. (神州數碼集團股份有限公司) ("**DCG**") (listed on the Shenzhen Stock Exchange) and its subsidiaries, Mr. GUO Wei is the sole shareholder and a director of KIL and is a substantial shareholder as to approximately 23.12% and also a director of DCG.

3. The 12,500,000 share options granted to Mr. GUO Wei and Mr. LIN Yang on 25 January 2017 were adjusted to 13,116,974 share options as a result of the completion of right issue on 18 September 2017 which remained outstanding as at 31 December 2024. These share options are exercisable from 25 January 2017 to 24 January 2025 at an exercise price of HK$6.394 per Share.

4. Representing 54,000,000 share options that were granted to Mr. GUO Wei and 1,332,000 share options that were granted to each of Mr. LIN Yang, Dr. LIU Yun, John and Mr. KING William on 13 July 2020 which remained outstanding as at 31 December 2024. These share options are exercisable from the date of satisfaction of certain conditions stated in the offer letter dated 13 July 2020 to 12 July 2028 at an exercise price of HK$6.60 per Share.

5. On 2 June 2020, 100,000 shares were granted to each of Dr. LIU Yun, John and Mr. KING William under the RSA Scheme, and were vested in January 2021 pursuant to the terms and conditions of the RSA Scheme.

6. The approximate percentage of interests is based on the aggregate nominal value of the Shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under Section 352 of the SFO.

Save as disclosed above, as at 31 December 2024, 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 2024, pursuant to Form 2 — Corporate Substantial Shareholders Notice filed by the respective shareholders and the best knowledge of the Directors, the following persons or corporations, not being a Director or chief executive of the Company, had the following interests and short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	**Capacity**	**Number of Shares** ***(Note 1)***	**Approximate percentage of aggregate interests (%)** ***(Note 8)***
Kosalaki Investments Limited	Beneficial owner	114,876,857 *(Note 2)*	6.86
Dragon City International Investment Limited	Beneficial owner	165,054,500	9.86
YIP Chi Yu	Interests of a controlled Corporation/Interest of spouse	165,054,500/2,325 *(Notes 3 & 4)*	9.86
HUANG Shaokang	Beneficial owner/Interest of spouse	2,325/165,054,500 *(Notes 3 & 4)*	9.86
Guangzhou City Infrastructure Investment Group Limited* (廣州市城市建設投資集團有限公司) ("**GZ Infrastructure**")	Interests of controlled corporations	331,201,928 *(Note 5(a))*	19.80
Guangzhou City Investment Co., Ltd.* (廣州市城投投資有限公司) ("**GZ Investment**")	Interests of controlled corporations	331,201,928 *(Note 5(b))*	19.80
Guangzhou City Investment Jiapeng Industry Investment Fund Management Co., Ltd.* (廣州城投佳朋產業投資基金管理有限公司) ("**GZ Jiapeng**")	Interests of a controlled corporation	299,760,000 *(Note 5(c))*	17.92
Guangzhou City Investment Jiazi Investment Partnership (Limited Partnership)* (廣州城投甲子投資合夥企業(有限合夥)) ("**GZ Jiazi**")	Beneficial owner	299,760,000 *(Note 5(d))*	17.92
Guangzhou Radio Group Co., Ltd.* (廣州無線電集團有限公司) ("**Guangzhou Radio Group**")	Interests of controlled corporations	181,120,250 *(Note 6)*	10.83

Name	Capacity	Number of Shares *(Note 1)*	Approximate percentage of aggregate interests (%) *(Note 8)*
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	184,352,900	11.02
China New Century Co., Ltd.* (中國新紀元有限公司)	Interests of controlled corporation	101,800,000	6.08

Notes:

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

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

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

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

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

   (b) Pursuant to a Form 2 — Corporate Substantial Shareholders Notice filed by GZ Investment, on 28 January 2021, GZ Investment was interested in 331,201,928 Shares in aggregate, of which, 299,760,000 Shares were held by GZ Jiazi and 31,441,928 Shares were held by Suitong HK. By virtue of the SFO, GZ Investment was deemed to be interested in the Shares in which GZ Jiazi and Suitong HK were interested. Ms. CONG Shan and Mr. LIU Jun Qiang, being the non-executive Directors of the Company, serve as the vice general manager and deputy general manager of GZ Investment.

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

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

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

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

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

* The English name of the company is a direct transliteration of its Chinese registered name and is for identification purpose only.

Save as disclosed above, as at 31 December 2024, the Company had not been notified by any persons and corporations who had interests or short positions in Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

DONATIONS

During the year ended 31 December 2024, the Group made donation of RMB100,000 (for the year ended 31 December 2023: RMB410,000).

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 2023: less than 30%) of the Group's total revenue for the year ended 31 December 2024.

The aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 47% (for the year ended 31 December 2023: approximately 35%) of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 19% (for the year ended 31 December 2023: approximately 10%) for the year ended 31 December 2024.

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 (excluding treasury shares)) 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 in the ESG Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the applicable environmental laws and regulations and to adopt effective measures to ensure the efficient usage of resources, energy conservation and waste reduction. For details of the Company's environmental policy and performance, please refer to the ESG 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 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 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 2024 and up to the date of this report as required under the Listing Rules.

Report of the Directors

EVENT AFTER THE REPORTING PERIOD

No significant event of the Group after the reporting period and up to the date of this report.

Approved by the Board on 28 March 2025

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 67 to 181, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, 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 79.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the carrying amount of the Group's goodwill was approximately RMB1,125,105,000. During the year ended 31 December 2024, impairment loss of goodwill of approximately RMB364,604,000 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, and 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 and discount rate employed.

ESTIMATE OF EXPECTED CREDIT LOSSES ("ECL") OF ACCOUNTS AND BILLS RECEIVABLES AND CONTRACT ASSETS

Refer to notes 29 and 31 to the consolidated financial statements and the accounting policies on pages 93 to 96.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the carrying amount of the Group's accounts and bills receivables was approximately RMB3,391,269,000, net of loss allowance of approximately RMB917,649,000 and contract assets of RMB3,811,240,000, net of loss allowance of approximately RMB456,749,000. 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: • 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 81 to 83.

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 is recognised over time with reference to the progress towards complete satisfaction of a performance obligation in accordance with output method or input method in accounting for its contract revenue. Significant management judgement is involved in using input method as based on the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. During the year, the Group recognised revenue over time and at a point in time amounted to approximately RMB8,953,394,000 and RMB7,410,510,000 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: • 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.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	6	**16,657,343**	18,276,547
Cost of sales and services		**(14,365,429)**	(15,595,691)
Gross profit		**2,291,914**	2,680,856
Other income and gains	6	**112,543**	157,908
Net gain on disposal of equity interests in associates	7	**3,432**	37,069
Selling and distribution expenses		**(882,312)**	(988,727)
Administrative expenses		**(412,436)**	(398,040)
Other expenses, net	7	**(989,783)**	(945,434)
Finance costs	8	**(129,192)**	(117,923)
Impairment loss of goodwill	18	**(364,604)**	(97,131)
Fair value loss on investment properties	15	**(7,517)**	(448,548)
Impairment loss of other receivables	30	**(27,696)**	(487,715)
Impairment loss of interests in associates and joint ventures	7	**(23,784)**	(496,956)
Share of loss of associates and joint ventures	7	**(68,339)**	(534,553)
Loss before tax	7	**(497,774)**	(1,639,194)
Income tax expenses	11	**(65,913)**	(62,277)
Loss for the year		**(563,687)**	(1,701,471)
Attributable to:			
Equity holders of the parent		**(253,949)**	(1,833,689)
Non-controlling interests		**(309,738)**	132,218
		(563,687)	(1,701,471)
Loss per share attributable to equity holders of the parent			
(expressed in RMB per share)	13		
Basic		**(0.1720)**	(1.2330)
Diluted		**(0.1720)**	(1.2330)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	NOTE	**2024** **RMB'000**	2023 RMB'000
Loss for the year		**(563,687)**	(1,701,471)
Other comprehensive expense			
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of financial statements of foreign operations		**(9,719)**	(14,062)
Share of other comprehensive expense of associates		**(1,875)**	(41,750)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		**(11,594)**	(55,812)
Other comprehensive expense 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		**(68,442)**	(107,228)
Income tax effect	25	**(24,185)**	34,187
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods		**(92,627)**	(73,041)
Other comprehensive expense for the year, net of tax		**(104,221)**	(128,853)
Total comprehensive expense for the year		**(667,908)**	(1,830,324)
Attributable to:			
Equity holders of the parent		**(365,507)**	(1,964,310)
Non-controlling interests		**(302,401)**	133,986
		(667,908)	(1,830,324)

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	**2024** **RMB'000**	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**697,019**	738,685
Right-of-use assets	16	**138,040**	162,439
Investment properties	15	**4,481,252**	4,527,861
Goodwill	18	**1,125,105**	1,489,709
Other intangible assets	19	**261,995**	235,580
Interests in joint ventures	20	**41,922**	43,729
Interests in associates	21	**218,606**	306,723
Financial assets at fair value through other comprehensive income	22	**362,361**	721,071
Financial assets at fair value through profit or loss	23	**134,460**	–
Accounts receivables	29	**132,139**	150,794
Other receivables	30	**440,000**	440,000
Deferred tax assets	25	**224,338**	231,112
		8,257,237	9,047,703
Current assets			
Inventories	26	**1,117,841**	820,228
Completed properties held for sale	27	**579,642**	574,759
Accounts and bills receivables	29	**3,259,130**	4,029,490
Prepayments, deposits and other receivables	30	**1,528,936**	1,275,497
Contract assets	31a	**3,811,240**	3,598,309
Financial assets at fair value through profit or loss	23	**183,198**	320,333
Finance lease receivables	24	**19,418**	25,412
Restricted bank balances	32	**83,479**	224,774
Cash and cash equivalents	32	**3,142,841**	2,883,308
		13,725,725	13,752,110
Assets classified as held for sale	28	**324,336**	–
		14,050,061	13,752,110
Current liabilities			
Accounts and bills payables	33	**4,251,022**	3,952,012
Other payables and accruals	34	**1,257,244**	1,427,864
Lease liabilities	17	**56,659**	60,821
Contract liabilities	31b	**2,264,240**	2,271,193
Tax payables		**62,337**	67,009
Interest-bearing bank and other borrowings	35	**1,980,515**	1,401,935
		9,872,017	9,180,834
Net current assets		**4,178,044**	4,571,276
Total assets less current liabilities		**12,435,281**	13,618,979

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Interest-bearing bank and other borrowings	35	**1,502,222**	1,881,487
Deferred tax liabilities	25	**504,237**	467,336
Deferred income	45	**13,763**	18,546
Lease liabilities	17	**37,450**	57,450
Other financial liability	46	**870,155**	828,155
		2,927,827	3,252,974
Net assets		**9,507,454**	10,366,005
Capital and reserves			
Share capital	36	**163,826**	163,826
Reserves	37	**5,667,605**	6,131,541
Equity attributable to equity holders of the parent		**5,831,431**	6,295,367
Non-controlling interests		**3,676,023**	4,070,638
Total equity		**9,507,454**	10,366,005

The consolidated financial statements on pages 67 to 181 were approved and authorised for issue by the board of directors on 28 March 2025 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 2024

	Attributable to equity holders of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Employee share trust RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	163,826	4,139,709	1,595,724	(868,751)	248,415	610,610	(123,672)	744,463	(196,153)	(18,804)	6,295,367	4,070,638	10,366,005
Loss for the year	–	–	–	–	–	–	–	–	–	(253,949)	(253,949)	(309,738)	(563,687)
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(95,670)	–	–	–	(95,670)	3,043	(92,627)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(14,013)	–	(14,013)	4,294	(9,719)
Share of other comprehensive (expense) income of associates	–	–	–	–	–	–	(2,018)	–	143	–	(1,875)	–	(1,875)
Total comprehensive expense for the year	–	–	–	–	–	–	(97,688)	–	(13,870)	(253,949)	(365,507)	(302,401)	(667,908)
Share-based compensation	–	–	–	–	14,775	–	–	–	–	–	14,775	2,866	17,641
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	353	353
Contribution to employee shares trusts	–	–	–	(11,580)	–	–	–	–	–	–	(11,580)	–	(11,580)
Deregistration of subsidiaries (note 41(d))	–	–	–	–	–	–	–	–	–	–	–	(4,019)	(4,019)
Vesting of shares under the restricted share award scheme	–	–	–	12,118	(12,118)	–	–	–	–	–	–	–	–
Deemed acquisition of additional interests in non-wholly-owned subsidiaries (note 41(b))	–	–	(5,960)	–	–	–	–	–	–	–	(5,960)	(44,289)	(50,249)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(47,125)	(47,125)
Transfer to reserve funds	–	–	–	–	–	–	–	50,362	–	(50,362)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	(95,664)	(95,664)	–	(95,664)
At 31 December 2024	163,826	4,139,709	1,589,764	(868,213)	251,072	610,610	(221,360)	794,825	(210,023)	(418,779)	5,831,431	3,676,023	9,507,454

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to equity holders of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Employee share trust RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	163,826	4,139,709	1,595,003	(826,355)	237,974	610,610	4,233	646,092	(179,777)	1,970,603	8,361,918	3,950,553	12,312,471
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(1,833,689)	(1,833,689)	132,218	(1,701,471)
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(86,109)	–	–	–	(86,109)	13,068	(73,041)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(16,545)	–	(16,545)	2,483	(14,062)
Share of other comprehensive (expense) income of associates	–	–	(3,407)	–	–	–	(24,729)	–	169	–	(27,967)	(13,783)	(41,750)
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(17,067)	–	–	17,067	–	–	–
Total comprehensive (expense) income for the year	–	–	(3,407)	–	–	–	(127,905)	–	(16,376)	(1,816,622)	(1,964,310)	133,986	(1,830,324)
Share-based compensation	–	–	–	–	20,459	–	–	–	–	–	20,459	7,798	28,257
Capital contribution from non-controlling shareholders of subsidiaries (note 41(c))	–	–	982	–	–	–	–	–	–	–	982	32,768	33,750
Contribution to employee shares trusts	–	–	–	(52,414)	–	–	–	–	–	–	(52,414)	–	(52,414)
Partial disposal of a subsidiary (note 41(a))	–	–	3,146	–	–	–	–	–	–	–	3,146	4,184	7,330
Vesting of shares under the restricted share award scheme	–	–	–	10,018	(10,018)	–	–	–	–	–	–	–	–
Deregistration of subsidiaries (note 41(d))	–	–	–	–	–	–	–	–	–	–	–	(497)	(497)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(58,154)	(58,154)
Transfer to reserve funds	–	–	–	–	–	–	–	98,371	–	(98,371)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	(74,414)	(74,414)	–	(74,414)
At 31 December 2023	163,826	4,139,709	1,595,724	(868,751)	248,415	610,610	(123,672)	744,463	(196,153)	(18,804)	6,295,367	4,070,638	10,366,005

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(497,774)**	(1,639,194)
Adjustments for:		
Finance costs	**129,192**	117,923
Share of loss of associates	**66,445**	534,347
Share of loss of joint ventures	**1,894**	206
Interest on bank deposits	**(12,989)**	(13,674)
Income from wealth management financial products	**(17,739)**	(17,483)
Deferred income recognised	**(8,895)**	(16,194)
Dividends income from financial assets at fair value through profit or loss	**(279)**	(240)
Dividends income from financial assets at fair value through other comprehensive income	**(1,592)**	–
Impairment loss of accounts and bills receivables, other receivables and contract assets	**237,683**	652,690
Impairment loss of goodwill	**364,604**	97,131
Impairment loss of interests in associates	**23,784**	476,956
Impairment loss of interests in joint ventures	**–**	20,000
Loss on disposal of property, plant and equipment	**2,721**	19
Fair value loss on investment properties	**7,517**	448,548
Fair value loss on financial assets at fair value through profit or loss	**46,993**	31,438
Gain on disposal of equity interest in an associate	**–**	(37,147)
(Gain) loss on deemed partial disposal of equity interest in an associate	**(3,432)**	78
Gain on deregistration of a joint venture	**–**	(276)
Loss (gain) on early termination of leases	**356**	(91)
Depreciation of property, plant and equipment	**63,918**	52,947
Depreciation of right-of-use assets	**82,910**	97,161
Amortisation of other intangible assets	**78,650**	73,070
Reversal of write-down of inventories	**(8,892)**	(73,842)
Share-based compensation	**17,641**	28,257
	572,716	832,630
(Increase) decrease in inventories	**(288,721)**	436,874
Increase in completed properties held for sale	**(4,883)**	(6,145)
Decrease (increase) decrease in accounts and bills receivables	**616,542**	(428,581)
(Increase) decrease in prepayments, deposits and other receivables	**(262,074)**	302,740
Decrease in finance lease receivables	**5,994**	5,993
Increase in accounts and bills payables	**299,010**	461,716
Decrease in other payables and accruals and deferred income	**(181,254)**	(227,306)
Increase in contract assets	**(250,445)**	(544,127)
(Decrease) increase in contract liabilities	**(6,953)**	154,724
Decrease (increase) in restricted bank balances	**141,295**	(169,895)
Effect of foreign exchange rate changes, net	**(2,634)**	(10,938)
Cash generated from operations	**638,593**	807,685
Interest received	**12,902**	12,905
Mainland China income tax paid	**(51,095)**	(74,449)
NET CASH FROM OPERATING ACTIVITIES	**600,400**	746,141

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(27,414)**	(71,274)
Proceeds from disposal of property, plant and equipment	**3,432**	9,417
Additions to other intangible assets	**(105,065)**	(87,737)
Proceeds from disposal of equity interest in an associate	**850**	6,750
Proceed from deregistration of a joint venture	**–**	276
Deposits received for assets classified as held for sale	**19,246**	–
Deposits paid for acquisition of other financial asset	**(21,900)**	–
Settlement of consideration payable for acquisition of a subsidiary	**(4,500)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income	**6,129**	85,910
Proceeds from disposal of financial assets at fair value through profit or loss	**458,380**	828,311
Proceed from partial disposal of a subsidiary	**–**	7,330
Dividend income from financial assets at fair value through profit or loss	**279**	240
Dividend income from financial assets at fair value through other comprehensive income	**1,592**	–
Dividends received from associates	**240**	1,175
Investments in associates	**–**	(42,134)
Purchase of financial asset at fair value through other comprehensive income	**–**	(14,500)
Purchase of financial assets at fair value through profit or loss	**(484,957)**	(420,001)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(153,688)**	303,763
FINANCING ACTIVITIES		
New bank borrowings	**2,337,965**	2,399,382
Repayment of bank borrowings	**(2,154,228)**	(2,738,191)
Repayment of lease liabilities	**(83,029)**	(89,904)
Interest paid	**(87,192)**	(75,923)
Dividends paid	**(95,664)**	(74,414)
Dividends paid to non-controlling shareholders	**(47,125)**	(58,154)
Purchase of shares under the restricted share award scheme	**(11,580)**	(52,414)
Contribution from non-controlling shareholders of subsidiaries	**353**	–
Repurchase of shares of a subsidiary	**(50,249)**	–
Distribution to non-controlling shareholder upon deregistration of subsidiaries	**(2,030)**	(497)
NET CASH USED IN FINANCING ACTIVITIES	**(192,779)**	(690,115)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**253,933**	359,789
Cash and cash equivalents at beginning of year	**2,883,308**	2,522,006
Effect of foreign exchange rate changes, net	**5,600**	1,513
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**3,142,841**	2,883,308
Analysis of components of cash and cash equivalents		
Bank balances and cash	**3,138,841**	2,879,308
Non-pledged time deposits	**4,000**	4,000
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of the cash flows	**3,142,841**	2,883,308

1. GENERAL

Digital China Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to this annual report.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- provision of big data products and solution services, including sales of data software products and data solutions around digital cities, digital supply chain and fintech scenarios, etc.

- provision of software and operation business, including one-stop end-to-end supply chain operation service and software development, testing, operation and maintenance services, etc.

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

The consolidated financial statements were presented in Renminbi ("**RMB**") and the functional currency of the Company was Hong Kong dollars (**HK$**), unless otherwise stated.

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 on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Excepted as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) (the "2020 Amendments"); and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist 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. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

Upon adoption of the amendments, the Group has reassessed the terms and conditions of its loan arrangements. The application of the amendments has no material impact on the classification of the Group's liabilities.

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:

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosure[3]
Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRSs issued but not yet effective

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

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

Amendments to HKFRSs issued but not yet effective (Continued)

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The directors are currently assessing the impact of these amendments.

Annual Improvements to HKFRS Accounting Standards — Volume 11

Annual Improvements to HKFRS Accounting Standards — Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

- HKFRS 7 Financial Instruments: Disclosures: The amendments remove an obsolete reference to paragraph 27A and update the wordings in paragraph B38 of HKFRS 7 regarding "unobservable inputs" to be consistent with HKFRS 13. The amendments to the accompanying guidance on implementing HKFRS 7 clarity that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7, as well as update the wordings in paragraph IG14 of HKFRS 7 regarding "fair value" consistent with other standards. The amendments are not expected to have significant impact on the consolidated financial statements of the Group.

- HKFRS 9 Financial Instruments: The amendments address a conflict between HKFRS 9 and HKFRS 15 over the initial measurement of trade receivables, and how a lessee accounts for the derecognition of a lease liability under HKFRS 9. The amendments are not expected to have significant impact on the consolidated financial statements of the Group.

- HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as de facto agents. The amendments are not expected to have significant impact on the consolidated financial statements of the Group.

- HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". The amendments are not expected to have significant impact on the consolidated financial statements of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the equity holders of the parent and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill relating to an associate or a joint venture that included in the carrying amount of the investment is set out in "investments in associates and joint ventures" below.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures. If the Group's share of the losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the net investment in the associate or joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in associates and joint ventures (Continued)

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in consolidated financial statements only to the extent of investments in the associates or joint ventures that are unrelated to the Group. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. In applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Revenue from contracts with customers

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Sales of software products business
- Software development and technical services business
- Supply chain operation and maintenance business
- System integration business
- E-commerce supply chain service business

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers (Continued)

Contract assets and contract liabilities

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

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

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

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.

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

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

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

Borrowing costs

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

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative expenses (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments of ownership interests of properties which includes both leasehold land and building elements, the entire properties are presented as buildings and included in property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties under fair value model.

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three or five years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Systems software

Purchased systems software is stated at cost less accumulated amortisation and any accumulated impairment losses, and is amortised on the straight-line basis over its estimated useful life of three or five years.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the normal course of business less all estimated costs of completion and costs necessary to make the sale.

Completed properties held for sale

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the relevant accounting policies.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

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 (accumulated losses).

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Other income and gains' line item in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 49.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

The Group always recognises lifetime ECL for accounts receivables, contract assets and finance lease receivables. The ECL on these financial assets are estimated using a provision matrix or individually based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

Definition of default

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:

- 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits (accumulated losses).

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Redemption liability

The obligation of the Group to purchase the equity instruments of a group entity at discretion of a third party (written put option) upon it becomes unconditional is classified as a financial liability (i.e. redemption liability).

The redemption liability is recognised initially at the present value of the redemption price. It is subsequently measured at amortised cost using the effective interest rate method.

The carrying amount of the redemption liability is reclassified as equity if the contract (written put option) expires without delivery.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Equity-settled share based payment transactions

Share options and share awards granted to employees

The fair value of services received determined by reference to the fair value of equity instruments granted at the date of grant is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (employee share-based compensation reserve).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of equity instruments, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an equity instrument, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of the equity instrument and lead to an immediate expensing of an equity instrument unless there are also service and/or performance conditions.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to ultimately vest based on assessment of a relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

When share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will continue to be held in employee share-based compensation reserve.

For RSA Scheme (as explained in note 38(b)), the considerations paid (including any related transaction costs) by the Company to purchase shares of the Company are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees. At the time when the award shares are vested, the difference on the amounts previously recognised in shares held for RSA Scheme and the amount recognised in employee share-based compensation reserve is transferred to retained profits (accumulated losses).

Pension schemes

The Group operates a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (defined contribution scheme) operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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

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 2024 (2023: nil).

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties are subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event the investment properties are being disposed of, the Group may be liable to higher tax upon disposal considering the impact of enterprise income tax ("**EIT**") and land appreciation tax ("**LAT**").

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Digital China Information Service Group Company Ltd. (神州數碼信息服務集團股份有限公司) ("**DCITS**") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of DCITS with a 40.54% (2023: 40.30%) 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% (2023: 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.

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

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 38 for the purpose of providing incentives and rewards to employees. The fair values of these equity instruments were valued by an independent valuer using the binomial model. These valuations require the Company to make estimates about certain key inputs, including the dividend yield, expected volatility, risk-free interest rate and expected life of options, and hence they are subject to uncertainty.

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

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

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2024, the carrying amount of goodwill is approximately RMB1,125,105,000 (2023: RMB1,489,709,000). Impairment loss of approximately RMB364,604,000 (2023: RMB97,131,000) was recognised during the year ended 31 December 2024. 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 49, 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 2024, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB362,361,000 (2023: RMB721,071,000). As at 31 December 2024, the carrying amount of the unlisted investments classified as financial assets at FVTPL was RMB317,658,000 (2023: RMB268,669,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

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

Key sources of estimation uncertainty (Continued)

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 2024 is RMB697,019,000 (2023: RMB738,685,000), RMB138,040,000 (2023: RMB162,439,000) and RMB261,995,000 (2023: RMB235,580,000) respectively.

Fair values of investment properties

As at 31 December 2024, the Group's investment properties amounted to RMB4,481,252,000 (2023: RMB4,527,861,000). They are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market.

ECL of accounts and bills receivables, other receivables and contract assets

The impairment provisions for accounts and bills receivables and other receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

During the year ended 31 December 2024, impairment loss of accounts and bills receivables of approximately RMB172,473,000 was recognised (2023: RMB106,869,000) in the profit or loss. The carrying amount of accounts and bills receivables was approximately RMB3,391,269,000 (2023: RMB4,180,284,000), net of loss allowance of approximately RMB917,649,000 (2023: RMB783,332,000).

During the year ended 31 December 2024, impairment loss of deposits and other receivables of approximately RMB27,696,000 (2023: RMB487,715,000) was recognised in the profit or loss. The carrying amount of deposits and other receivables was approximately RMB1,277,227,000 (2023: RMB1,119,064,000), net of loss allowance of approximately RMB617,647,000 (2023: RMB589,951,000).

During the years ended 31 December 2024 and 2023, no impairment loss has been recognised in the profit or loss in respect of the loans to joint ventures. The carrying amount of loans to joint ventures was approximately RMB108,065,000 (2023: RMB108,065,000) without any loss allowance.

During the year ended 31 December 2024, impairment loss of contract assets of approximately RMB37,514,000 (2023: RMB58,106,000) was recognised in profit or loss. The carrying amount of contract assets was approximately RMB3,811,240,000 (2023: RMB3,598,309,000), net of loss allowance of approximately RMB456,749,000 (2023: RMB419,235,000).

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

Key sources of estimation uncertainty (Continued)

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

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

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

As at 31 December 2024, the carrying amounts of right-of-use assets, property, plant and equipment, and other intangible assets were RMB138,040,000, RMB697,019,000 and RMB261,995,000 (2023: RMB162,439,000, RMB738,685,000 and RMB235,580,000) respectively. Details of the impairment of right-of-use assets, property, plant and equipment, and intangible assets are disclosed in notes 16, 14 and 19, respectively. Further details are given in respective notes.

Revenue recognition

When the Group recognises revenue over time using the input method, based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on understanding of the performance of the contract and quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for onerous contract may arise.

For software development and technical services business, the Group either creates and enhances an asset that the customers controls or its customers simultaneously receives and consumes the benefits provided as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time using input method.

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sales. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A considerable amount of judgement is required in assessing the ultimate realisation of these inventories. If the market conditions were to change, resulting in a change in provision for obsolete items, the difference will be recorded in the period it is identified. During the year ended 31 December 2024, reversal of write-down of inventories of approximately RMB8,892,000 (2023: RMB73,842,000) was recognised in profit or loss. As at 31 December 2024, the carrying amount of inventories was approximately RMB1,117,841,000 (2023: RMB820,228,000).

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of interests in associates

At the end of the reporting period, the directors of the Company review its interests in associates and identified if there is any indication that those assets may suffer an impairment loss. If an objective evidence of impairment exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections, price to book ratio and discount rates. Based on the estimated recoverable amounts, impairment loss of interests in associates of approximately RMB23,784,000 (2023: RMB476,956,000) was recognised in profit or loss. As at 31 December 2024, the carrying amount of interests in associates was approximately RMB218,606,000 (2023: RMB306,723,000), net of accumulated impairment loss of approximately RMB500,740,000 (2023: RMB476,956,000).

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 2024 were approximately RMB224,338,000 (2023: RMB231,112,000) and RMB504,237,000 (2023: RMB467,336,000), respectively. The amount of unrecognised tax losses and certain deductible temporary differences at 31 December 2024 was approximately RMB3,493,718,000 (2023: RMB2,674,202,000). Further details are given in note 25.

5. SEGMENT INFORMATION

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

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

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

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

(c) **The Traditional and Localization Services business segment:** provides localization services via systems integration services as well as e-commerce supply chain services focused on integrated solutions, providing a vast sales channel which is critical for the Group's continued deployment of its big data products and solutions, as well as software and operating services. The segment also includes business related to investments, property sales and rental, as well as others.

5. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results are evaluated based on the reportable segment (loss) profit, which is a measure of adjusted loss before tax. The segment results is measured consistently with the Group's loss 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.

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 2024 and 2023.

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Eliminations		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue:										
External	**3,238,864**	3,171,898	**5,475,189**	5,269,179	**7,943,290**	9,835,470	**–**	–	**16,657,343**	18,276,547
Inter-segment	**6,043**	44,117	**49,428**	65,445	**17,505**	32,429	**(72,976)**	(141,991)	**–**	–
	3,244,907	3,216,015	**5,524,617**	5,334,624	**7,960,795**	9,867,899	**(72,976)**	(141,991)	**16,657,343**	18,276,547
Segment gross profit	**797,911**	950,156	**626,114**	670,844	**867,889**	1,059,856			**2,291,914**	2,680,856
Segment results	**(461,355)**	(23,937)	**183,257**	315,033	**174,741**	(1,543,363)			**(103,357)**	(1,252,267)
Unallocated										
Interest income									**12,989**	13,674
Income and gains									**43,501**	61,606
Unallocated expenses									**(321,715)**	(344,284)
Loss from operating activities									**(368,582)**	(1,521,271)
Finance costs									**(129,192)**	(117,923)
Loss before tax									**(497,774)**	(1,639,194)

5. SEGMENT INFORMATION (CONTINUED)

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets and liabilities								
Segment assets	**2,574,296**	2,833,483	**3,967,542**	4,055,139	**11,250,582**	11,542,277	**17,792,420**	18,430,899
Unallocated assets							**4,514,878**	4,368,914
Total assets							**22,307,298**	22,799,813
Segment liabilities	**1,378,420**	1,223,933	**1,578,042**	1,551,889	**4,392,191**	4,433,334	**7,348,653**	7,209,156
Unallocated liabilities							**5,451,191**	5,224,652
Total liabilities							**12,799,844**	12,433,808

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Unallocated		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Other segment information:										
Depreciation of property, plant and equipment	**3,098**	2,866	**22,492**	25,905	**14,439**	10,301	**23,889**	13,875	**63,918**	52,947
Depreciation of right-of-use assets	**3,629**	3,345	**43,908**	61,205	**617**	497	**34,756**	32,114	**82,910**	97,161
Amortisation of other intangible assets	**22,054**	18,806	**1,488**	2,012	**8,830**	8,413	**46,278**	43,839	**78,650**	73,070
Addition to non-current assets (note)	**87,523**	94,520	**60,026**	81,807	**43,438**	53,603	**13,702**	49,149	**204,689**	279,079
Impairment of accounts and bills receivables, other receivables and contract assets	**92,431**	63,228	**58,234**	14,254	**87,018**	575,208	**–**	–	**237,683**	652,690
Provision (reversal of provision) for inventories	**56**	(227)	**(627)**	(3,556)	**(8,321)**	(70,059)	**–**	–	**(8,892)**	(73,842)
Share of losses (profit) of associates	**558**	(5,239)	**9,676**	(223)	**56,211**	539,809	**–**	–	**66,445**	534,347
Share of losses (profit) of joint ventures	**–**	–	**2,267**	1,452	**(373)**	(1,246)	**–**	–	**1,894**	206
Government grants	**(9,468)**	(16,869)	**(20,554)**	(37,885)	**(1,712)**	(7,915)	**(24,501)**	(33,982)	**(56,235)**	(96,651)
Fair value loss (gain) on investment properties	**–**	–	**–**	–	**7,517**	449,348	**–**	(800)	**7,517**	448,548
(Gain) loss on deemed partial disposal of equity interest in an associate	**–**	–	**–**	–	**(3,432)**	78	**–**	–	**(3,432)**	78
Gain on disposal of equity interest in an associate	**–**	(37,147)	**–**	–	**–**	–	**–**	–	**–**	(37,147)
Impairment loss on goodwill	**364,604**	97,131	**–**	–	**–**	–	**–**	–	**364,604**	97,131
Impairment loss of interests in associates	**23,784**	–	**–**	–	**–**	476,956	**–**	–	**23,784**	476,956
Impairment loss of interests in joint ventures	**–**	–	**–**	–	**–**	20,000	**–**	–	**–**	20,000
Interests in associates	**3,656**	27,997	**75,417**	85,333	**139,533**	193,393	**–**	–	**218,606**	306,723
Interests in joint ventures	**–**	–	**16,122**	18,389	**25,800**	25,340	**–**	–	**41,922**	43,729
Interest income on bank deposits#	**–**	–	**–**	–	**–**	–	**(12,989)**	(13,674)	**(12,989)**	(13,674)
Finance costs#	**–**	–	**–**	–	**–**	–	**129,192**	117,923	**129,192**	117,923
Income tax expense#	**–**	–	**–**	–	**–**	–	**65,913**	62,277	**65,913**	62,277

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.

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

During the years ended 31 December 2024 and 2023, 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:

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines:		
Sales of software products business	**111,248**	145,955
Software development and technical service business	**6,818,866**	6,619,675
Supply chain operation and maintenance business	**2,134,528**	2,276,382
Systems integration business	**3,394,350**	5,956,260
E-commerce supply chain service business	**3,714,152**	2,729,485
Others	**190,760**	211,902
Total revenue from contract with customers	**16,363,904**	17,939,659
Revenue from other sources		
Rental income from investment properties under operating lease	**285,662**	323,395
Financial services business	**7,777**	13,493
Total revenue from other sources	**293,439**	336,888
Total revenue	**16,657,343**	18,276,547

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Revenue from contracts with customers

Disaggregation of revenue by timing of recognition

	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
At a point in time	**7,410,510**	9,043,602
Over time	**8,953,394**	8,896,057
	16,363,904	17,939,659

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 December 2024, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB6,944,106,000 (2023: RMB8,287,776,000). 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 (2023: three) years. Other revenue from contracts with customers is expected to be recognised within one year.

(ii) Other income and gains

	Note	2024 RMB'000	2023 RMB'000
Other income			
Government grants	45	**56,235**	96,651
Interest on bank deposits		**12,989**	13,674
Income from wealth management financial products		**19,739**	17,483
Dividends income from financial assets at FVTOCI		**1,592**	–
Dividends income from financial assets at FVTPL		**279**	240
Others		**19,212**	20,217
		110,046	148,265
Gains			
Exchange gain, net		**2,497**	9,367
Gain on deregistration of a joint venture		**–**	276
Total other income and gains		**112,543**	157,908

7. LOSS BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Employee benefit expense (including directors' and chief executives' remuneration (note 9)):		
Fees, salaries and allowances	**3,102,717**	2,838,790
Share-based compensation	**17,641**	28,257
Pension scheme contributions[1]	**307,185**	270,665
Other benefits	**447,032**	430,841
	3,874,575	3,568,553
Gain on disposal of equity interest in an associate (note 21(i))	**–**	(37,147)
(Gain) loss on deemed partial disposal of equity interest in an associate (note 21(ii))	**(3,432)**	78
	(3,432)	(37,069)
Share of loss of associates	**66,445**	534,347
Share of loss of joint ventures	**1,894**	206
	68,339	534,553
Impairment loss of interests in associates	**23,784**	476,956
Impairment loss of interests in joint ventures	**–**	20,000
	23,784	496,956
Amount of inventories recognised as an expense	**6,711,879**	8,153,480
Auditor's remuneration	**2,720**	2,821
Loss on disposal of property, plant and equipment	**2,721**	19
Depreciation of property, plant and equipment	**63,918**	52,947
Depreciation of right-of-use assets	**82,910**	97,161
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties[2]	**30,454**	33,373

1 At 31 December 2024 and 2023, 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 2024, the Group recognised rental income of approximately RMB285,662,000 (2023: RMB323,395,000).

7. LOSS BEFORE TAX (CONTINUED)

	2024 RMB'000	2023 RMB'000
Research and development costs (excluding amortisation of other intangible assets)	**653,335**	738,542
Amortisation of other intangible assets	**78,650**	73,070
Reversal of write-down of inventories	**(8,892)**	(73,842)
Impairment loss of accounts and bills receivables and contract assets	**209,987**	164,975
Fair value loss on financial assets at fair value through profit or loss	**46,993**	31,438
Loss (gain) on early termination of leases	**356**	(91)
Others	**9,354**	11,342
	989,783	945,434

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	**63,396**	52,725
Interest on discounted bills	**17,715**	16,741
Interest on lease liabilities	**6,081**	6,457
Interest on other financial liability	**42,000**	42,000
	129,192	117,923

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:

	2024 RMB'000	2023 RMB'000
Fees	**1,464**	1,355
Other emoluments:		
Salaries and allowances	**7,893**	7,889
Performance related bonus	**1,286**	1,822
Pension scheme contributions	**83**	79
	9,262	9,790
	10,726	11,145

Note:

Salaries and allowances, performance related bonus and pension scheme contributions as shown in the above table represent the consolidated total amount of salaries and allowances and performance related bonus received/receivable by executive and non-executive directors paid by DCITS, subsidiaries of the Company, and the Company itself.

(a) Independent non-executive directors

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

	2024 Fees RMB'000	2023 Fees RMB'000
For the Company:		
Mr. WONG Man Chung, Francis[1]	**137**	271
Miss. NI Hong (Hope)[1]	**137**	271
Dr. LIU Yun, John	**274**	271
Mr. KING William	**274**	271
Mr. CHEN Timothy Ying-Cheng[1]	**137**	271
Mr. CHAN Wai Hong, Michael[2]	**101**	–
Dr. GUO Song[2]	**101**	–
Dr. LI Jing[2]	**101**	–
	1,262	1,355

Note:

1 Retired on 27 June 2024.

2 Appointed on 19 August 2024.

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

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

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Mr. GUO Wei					
– From DCITS	–	4,800	1,286	17	6,103
– From entities in the Group other than DCITS	–	–	–	–	–
Mr. LIN Yang					
– From DCITS	–	–	–	–	–
– From entities in the Group other than DCITS	–	3,093	–	66	3,159
	–	7,893	1,286	83	9,262
Non-executive directors:					
Ms. CONG Shan[3]	101	–	–	–	101
Mr. LIU Jun Qiang[2,3]	101	–	–	–	101
Mr. ZENG Shuigen[1]	–	–	–	–	–
	202	–	–	–	202
	202	7,893	1,286	83	9,464

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

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

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Mr. GUO Wei					
– From DCITS	–	4,800	1,822	16	6,638
– From entities in the Group other than DCITS	–	–	–	–	–
Mr. LIN Yang					
– From DCITS	–	–	–	–	–
– From entities in the Group other than DCITS	–	3,089	–	63	3,152
	–	7,889	1,822	79	9,790
Non-executive directors:					
Ms. CONG Shan	–	–	–	–	–
Mr. ZENG Shuigen[1]	–	–	–	–	–
	–	–	–	–	–
	–	7,889	1,822	79	9,790

Note:

1 Resigned on 28 March 2024.
2 Appointed on 28 March 2024.
3 As at 31 December 2024, the payment of directors' fees were pending as Ms. CONG Shan and Mr. LIU Jun Qiang have not provided details of their personal bank accounts to the Company. Such directors' fees will be settled upon receipt of instructions from non-executive directors.

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

The performance related bonus is determined by the DCITS 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 (2023: 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 (2023: three) individuals were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	6,700	5,741
Performance related bonuses	1,908	2,254
Share-based compensation	20	11
Pension scheme contributions	400	376
	9,028	8,382

Their emoluments were within the following bands:

	Number of employees	
	2024	2023
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$4,000,001 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	1	–
	3	3

11. INCOME TAX EXPENSES

	2024 RMB'000	2023 RMB'000
Current — PRC		
EIT		
Charge for the year	**40,044**	52,915
Under-provision in prior years	**2,203**	4,336
LAT	**—**	4,696
	42,247	61,947
Current — Hong Kong		
Charge for the year	**4,407**	5,216
Over-provision in prior years	**(231)**	–
	4,176	5,216
Deferred tax (note 25)	**19,490**	(4,886)
Total tax charge for the year	**65,913**	62,277

(a) PRC EIT represents tax charged on the estimated assessable profits arising in Mainland China. In general, the Group's subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25% except for certain subsidiaries which are entitled to preferential tax rates.

(b) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

(c) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits.

(d) The share of tax charge attributable to joint ventures of approximately RMB238,000 (2023: RMB1,449,000) and the share of tax charge of attributable to associates of approximately RMB1,024,000 (2023: RMB2,821,000) are included in "Share of loss of associates and joint ventures" in the consolidated statement of profit or loss.

11. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the loss before tax per consolidated statement of profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	**(497,774)**	(1,639,194)
Tax at the applicable tax rate of 25% (2023: 25%)	**(124,444)**	(409,799)
Income tax on concessionary rates	**(110,196)**	(24,112)
Adjustments in respect of current tax of previous periods	**1,972**	4,336
Profits and losses attributable to joint ventures and associates	**17,111**	133,639
Super-deduction of research and development expenses	**(81,055)**	(90,312)
Income not subject to tax	**(14,059)**	(33,450)
Expenses not deductible to tax	**65,628**	59,388
Tax effect of unused tax losses not recognised	**191,765**	74,293
Tax losses utilised from previous periods	**(11,495)**	(41,901)
Temporary differences not recognised	**130,686**	385,499
LAT	**–**	4,696
Tax charge at the Group's effective rate	**65,913**	62,277

Details of deferred tax are set out in note 25.

12. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends paid during the year:		
2024 Interim dividends (HK1.0 cent per share)	**13,332**	–
2023 Final dividends (HK6.0 cents per share)	**82,332**	–
2023 Interim dividends (HK1.0 cent per share)	**–**	13,770
2022 Final dividends (HK4.5 cents per share)	**–**	60,644
	95,664	74,414

Subsequent to the end of the reporting period, the directors of the Company recommend the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2024 to the shareholders of the Company ("**Shareholders**"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about Wednesday, 16 July 2025.

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

13. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the parent is based on:

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the year attributable to equity holders of the parent, used in basic and diluted loss per share calculation	**(253,949)**	(1,833,689)

	Number of shares 2024	2023
Shares		
Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic and diluted loss per share calculation	**1,476,659,150**	1,487,154,911

Diluted loss per share

The computation of diluted loss per share attributable to equity holders of the parent for the year ended 31 December 2024 and 2023, does not assume the exercise of the share options issued by the Company and its listed subsidiary as the respective exercise prices of those share options were higher than the respective average market prices for shares.

Accordingly, for the year ended 31 December 2024 and 2023, the diluted loss per share is the same as basic loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024:						
Cost	746,980	140,102	339,680	6,085	4,521	1,237,368
Accumulated depreciation	(145,765)	(95,745)	(252,324)	(4,849)	–	(498,683)
Net carrying amount	601,215	44,357	87,356	1,236	4,521	738,685
At 1 January 2024, net of accumulated depreciation	601,215	44,357	87,356	1,236	4,521	738,685
Additions	1,671	15,025	9,743	389	586	27,414
Disposals	–	(221)	(5,903)	(29)	–	(6,153)
Transfers	–	173	213	–	(386)	–
Depreciation provided for the year	(15,825)	(22,161)	(25,558)	(374)	–	(63,918)
Exchange realignment	41	176	759	15	–	991
At 31 December 2024, net of accumulated depreciation	587,102	37,349	66,610	1,237	4,721	697,019
At 31 December 2024:						
Cost	749,440	150,672	308,978	5,641	4,721	1,219,452
Accumulated depreciation	(162,338)	(113,323)	(242,368)	(4,404)	–	(522,433)
Net carrying amount	587,102	37,349	66,610	1,237	4,721	697,019

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 2023:						
Cost	740,199	109,330	487,184	6,747	4,561	1,348,021
Accumulated depreciation	(129,425)	(87,904)	(401,209)	(6,291)	–	(624,829)
Net carrying amount	610,774	21,426	85,975	456	4,561	723,192
At 1 January 2023, net of accumulated depreciation	610,774	21,426	85,975	456	4,561	723,192
Additions	5,049	32,931	36,481	1,129	733	76,323
Disposals	–	(631)	(8,773)	(32)	–	(9,436)
Transfers	–	773	–	–	(773)	–
Depreciation provided for the year	(16,122)	(10,168)	(26,361)	(296)	–	(52,947)
Exchange realignment	1,514	26	34	(21)	–	1,553
At 31 December 2023, net of accumulated depreciation	601,215	44,357	87,356	1,236	4,521	738,685
At 31 December 2023:						
Cost	746,980	140,102	339,680	6,085	4,521	1,237,368
Accumulated depreciation	(145,765)	(95,745)	(252,324)	(4,849)	–	(498,683)
Net carrying amount	601,215	44,357	87,356	1,236	4,521	738,685

At 31 December 2024, the Group's property, plant and equipment with net carrying amount of approximately RMB89,815,000 (2023: RMB72,286,000) were pledged to secure certain bank loans of the Group (note 35).

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:

	2024 RMB'000	2023 RMB'000
Fair value		
As at 1 January	**4,527,861**	4,975,169
Addition	**–**	1,240
Transfer to assets classified as held for sale	**(39,092)**	–
Net loss in fair value recognised in profit or loss	**(7,517)**	(448,548)
As at 31 December	**4,481,252**	4,527,861

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 2024 and 2023 based on valuations performed by Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch and APAC Asset Valuation and Consulting Limited, independent professionally qualified valuers not connected to the Group, at approximately RMB4,481,252,000 (2023: RMB4,527,861,000) 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 42.

During the year ended 31 December 2024, the Group has reclassified certain investment properties with a carrying amount of RMB39,092,000 (2023: nil) to assets classified as held for sale (note 28).

At 31 December 2024, the Group's investment properties with a carrying value of RMB2,963,912,000 (2023: RMB3,347,553,000) were pledged to secure certain bank loans of the Group (note 35).

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 Total 2024 RMB'000
Recurring fair value measurement for:				
Business properties	–	–	4,481,252	4,481,252

	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	Fair value Total 2023 RMB'000
Recurring fair value measurement for:				
Business properties	–	–	4,527,861	4,527,861

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2024 and 2023.

The following table gives information about how the fair values of the investment properties as at 31 December 2024 and 2023 are determined (in particular, the valuation techniques and inputs used):

	Valuation techniques and key inputs	Significant unobservable inputs	Range or weighted average 2024	Range or weighted average 2023
Completed investment properties				
– Business properties	Discounted cash flow method – by taking into account the current rents and the reversionary potential of the tenancies	Estimated rental value (per sq.m. and per month)(RMB)	From 20 to 322	From 20 to 353
		Long term vacancy rate	From 5% to 20%	From 5% to 20%
		Discount rate	From 5% to 6.5%	From 5% to 6.5%
	Market comparison approach – by reference to recent selling price of comparable properties and adjusted to reflect the size and location of the property	Discount on size and location	From 1.1% to 5%	From 1% to 5%

The Group has determined that the highest and best use of the commercial properties at the measurement date is their current use in estimating the fair value of the properties. There have been no other changes from the valuation technique used in the prior year.

A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the discount rate and an opposite change in the long term vacancy rate.

A significant increase (decrease) in the discount on size and location in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

16. RIGHT-OF USE ASSETS

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

	Land RMB'000	Building RMB'000	Total RMB'000
At 1 January 2023	43,577	129,818	173,395
Additions	–	90,648	90,648
Termination of leases	–	(4,443)	(4,443)
Depreciation	(1,143)	(96,018)	(97,161)
At 31 December 2023 and 1 January 2024	**42,434**	**120,005**	**162,439**
Additions	**–**	**72,210**	**72,210**
Termination of leases	**–**	**(13,699)**	**(13,699)**
Depreciation	**(1,143)**	**(81,767)**	**(82,910)**
At 31 December 2024	**41,291**	**96,749**	**138,040**

As at 31 December 2024 and 2023, right-of-use assets of RMB41,291,000 (2023: RMB42,434,000) represent land use rights located in the PRC.

As at 31 December 2024, the Group's land use rights with a carrying value of approximately RMB12,374,000 (2023: RMB12,761,000) were pledged to secure certain bank loans of the Group (note 35).

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

	2024 RMB'000	2023 RMB'000
Non-current	**37,450**	57,450
Current	**56,659**	60,821
	94,109	118,271

17. LEASES (CONTINUED)

(i) Lease liabilities (Continued)

Amounts payable under lease liabilities	**2024** **RMB'000**	2023 RMB'000
Within one year	**56,659**	60,821
After one year but within two years	**24,264**	35,394
After two years but within five years	**13,186**	22,056
	94,109	118,271
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(56,659)**	(60,821)
Amount due for settlement after 12 months	**37,450**	57,450

During the year ended 31 December 2024, the Group entered into a number of new lease agreements for building and recognised lease liabilities of RMB72,210,000 (2023: RMB90,648,000).

(ii) Amounts recognised in profit or loss

	2024 **RMB'000**	2023 RMB'000
Expense relating to short-term leases	**5,636**	5,881
Depreciation of right-of-use assets	**82,910**	97,161
Interest on lease liabilities	**6,081**	6,457

(iii) Others

At 31 December 2024 and 2023, the Group did not have committed lease agreements that were not yet commenced.

During the year ended 31 December 2024, the total cash outflow for leases amounted to RMB94,746,000 (2023: RMB102,242,000).

During the year ended 31 December 2024, the Group early terminated certain lease contacts, the respective right-of-use assets and lease liabilities of RMB13,699,000 (2023: RMB4,443,000) and RMB13,343,000 (2023: RMB4,534,000) respectively are derecognised accordingly and the related loss on early termination of RMB356,000 (2023: profit on early termination of RMB91,000) is recognised in the profit or loss.

Restrictions or covenants on leases

As at 31 December 2024, lease liabilities of RMB94,109,000 (2023: RMB118,271,000) are recognised with related right-of-use assets of RMB96,749,000 (2023: RMB120,005,000). 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:

	2024 RMB'000	2023 RMB'000
Cost		
At 1 January and 31 December	**2,080,120**	2,080,120
Impairment		
At 1 January	**590,411**	493,280
Impairment loss recognised during the year	**364,604**	97,131
At 31 December	**955,015**	590,411
Net carrying amount	**1,125,105**	1,489,709

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:

	2024 RMB'000	2023 RMB'000
Rural information services	**140,351**	460,114
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	**9,902**	19,824
Technical services	**10,765**	16,684
Agricultural internet services	**–**	29,000
Cloud services	**20,833**	20,833
Total	**1,125,105**	1,489,709

18. GOODWILL (CONTINUED)

Impairment testing of goodwill

Rural information services CGU

During the year ended 31 December 2024, the Group recognised an impairment loss of RMB319,763,000 (2023: RMB66,458,000) in relation to goodwill arising on acquisition of 北京中農信達信息技術有限公司 as the actual results did not meet the management's expectations.

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 10.81% (2023: 11.18%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.1% (2023: 1.5%).

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 10.56% (2023: 11.54%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.8% (2023: 2.3%).

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% (2023: 16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2023: 2.5%).

Agricultural internet of things services CGU

During the year ended 31 December 2024, the Group recognised an impairment loss of RMB9,922,000 (2023: nil) in relation to goodwill arising on acquisition of 北京旗碩基業科技股份有限公司 as the actual results did not meet the management's expectations.

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 10.54% (2023: 11.60%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.1% (2023: 1.5%).

Technical services CGU

During the year ended 31 December 2024, the Group recognised an impairment loss of RMB5,919,000 (2023: nil) in relation to goodwill arising on acquisition of 西安遠景信息技術有限公司 as the actual results did not meet the management's expectations.

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 9.51% and 16.5% (2023: 10.96% and 16.5%) and cash flows beyond the five-year period are extrapolated using growth rate ranging of 1.1% and 2.5% (2023: 1.5% and 2.5%).

18. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Agricultural internet services CGU

During the year ended 31 December 2024, the Group recognised an impairment loss of RMB29,000,000 (2023: RMB30,673,000) in relation to goodwill arising on acquisition of 神州土地(北京)信息技術有限公司 as the actual results did not meet the management's expectations.

The recoverable amount of the agricultural internet services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 9.41% (2023: 13.05%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.1% (2023: 1.5%).

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 10.86% (2023: 11.99%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.1% (2023: 1.5%).

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 2024:				
Cost	21,623	68,339	490,953	580,915
Accumulated amortisation and impairment	(17,372)	–	(327,963)	(345,335)
Net carrying amount	4,251	68,339	162,990	235,580
Cost at 1 January 2024, net of accumulated amortisation and impairment	4,251	68,339	162,990	235,580
Additions	–	62,964	42,101	105,065
Amortisation provided for the year	(231)	–	(78,419)	(78,650)
Transfers	–	(66,742)	66,742	–
At 31 December 2024	4,020	64,561	193,414	261,995
At 31 December 2024:				
Cost	21,623	64,561	599,796	685,980
Accumulated amortisation and impairment	(17,603)	–	(406,382)	(423,985)
Net carrying amount	4,020	64,561	193,414	261,995

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 2023:				
Cost	21,623	58,337	390,087	470,047
Accumulated amortisation and impairment	(17,141)	–	(255,124)	(272,265)
Net carrying amount	4,482	58,337	134,963	197,782
Cost at 1 January 2023, net of accumulated amortisation and impairment	4,482	58,337	134,963	197,782
Additions	–	61,455	49,413	110,868
Amortisation provided for the year	(231)	–	(72,839)	(73,070)
Transfers	–	(51,453)	51,453	–
At 31 December 2023	4,251	68,339	162,990	235,580
At 31 December 2023:				
Cost	21,623	68,339	490,953	580,915
Accumulated amortisation and impairment	(17,372)	–	(327,963)	(345,335)
Net carrying amount	4,251	68,339	162,990	235,580

20. INTERESTS IN JOINT VENTURES

	2024 RMB'000	2023 RMB'000
Share of net assets	**42,538**	44,345
Goodwill on acquisition	**19,384**	19,384
	61,922	63,729
Less: accumulated impairment	**(20,000)**	(20,000)
	41,922	43,729

The details of the Group's balances with joint ventures are disclosed in notes 29, 30, 33 and 34.

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.

20. INTERESTS IN JOINT VENTURES (CONTINUED)

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:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of the Group's interests in joint ventures	**41,922**	43,729
Share of the joint ventures' loss for the year	**(1,894)**	(206)
Share of the joint ventures' total comprehensive expense for the year	**(1,894)**	(206)

During the year ended 31 December 2023, a joint venture which engaged in rural technology development business incurred substantial operating loss. The management of the Group conducted a review on the recoverable amount of its interest in this joint venture by reference to cash flow forecast and considered an impairment loss of RMB20,000,000 is recognised for the year ended 31 December 2023 (2024: nil).

During the year ended 31 December 2023, a joint venture with carrying amount of nil (2024: nil) was deregistered and received distribution of approximately RMB276,000 (2024: nil) was received and the resulted gain on deregistration of a joint venture of approximately RMB276,000 (2024: nil) has been recognised in profit or loss.

21. INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**398,400**	462,733
Goodwill on acquisition	**320,946**	320,946
	719,346	783,679
Less: accumulated impairment	**(500,740)**	(476,956)
	218,606	306,723
Analysed into:		
Unlisted shares	**218,606**	253,264
Shares listed in Hong Kong	**–**	53,459
	218,606	306,723

The Group's interests in all the associates are held through the subsidiaries of the Company.

All the associates have been accounted for using the equity method in the consolidated financial statements.

The details of the Group's balances with associates are disclosed in notes 29 and 33.

21. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2024 and 2023, particulars of the Group's material associates are as follows:

Name	Place of incorporation/ registration and business	Particular of issued share capital/ registered capital	Percentage of ownership interest attributable to the Group		Principal activities
			2024	2023	
HCI*	Cayman Islands/ Mainland China	RMB120,977,000	**19.37%**	19.37%	Provision of B-to-B e-commerce services
Zhihui Shenzhou Information Development Co., Ltd.^ ("**Zhihui Shenzhou**")	Mainland China/ Mainland China	RMB203,406,800	**40%**	40%	Data integration and management software sales

The above table lists the associates 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.

* HCI is listed on the Main Board of The Stock Exchange of Hong Kong Limited. In the opinion of the directors of the Company, the Group has significant influence over HCI in which the Group owns less than 20% of voting right. The basis of judgement is disclosed in note 4.

The management of the Group conducted a review on the recoverable amount of its interest in HCI by reference to the higher of value in use and fair value less cost of disposal of the associate and considered an impairment loss of RMB320,659,000 is recognised for the year ended 31 December 2023 (2024: nil), taking into account the actual result of HCI and its subsidiaries.

^ For identification purpose only.

Significant changes in interest in associates

(i) 神州數碼融信云技術服務有限公司 ("Rongxin Cloud")

Up to the date of disposal of Rongxin Cloud in 2023, the Group owns 19% equity interest in Rongxin Cloud through DCITS, a non wholly-owned subsidiary. During the year ended 31 December 2023, the Group disposed of 1.5% equity interest in Rongxin Cloud at an aggregate consideration of RMB13,500,000. There was change in representation and composition of the board of directors of Rongxin Cloud following the resignation of the Group's sole representative in the board of directors of Rongxin Cloud. Accordingly, the Group was not able to exercise significant influence over Rongxin Cloud since then.

After completion of the disposal, the equity interest of Rongxin Cloud held by the Group decreased from 19% to 17.5% and Rongxin Cloud ceased to be an associate of the Group. The retained interest at fair value of RMB118,992,000 had been accounted for as a financial asset at FVTOCI for medium to long-term strategic purpose. Details of the fair value measurement are set out in note 49. The resulted gain on disposals of interest in Rongxin Cloud of approximately RMB37,147,000 had been recognised in profit or loss and was calculated as follow:

	RMB'000
Proceeds from disposal	13,500
Plus: fair value of investment retained (17.5%)	118,992
Less: carrying amount of 19% investment on the date of loss of significant influence	(95,345)
Gain recognised	37,147

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(ii) Deemed partial disposal of equity interest in an associate

During the year ended 31 December 2024, the Group's interest in one of its associates was diluted from 20.31% to 19.53% 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 RMB3,432,000 in profit or loss.

During the year ended 31 December 2023, the Group's interest in one of its associates was diluted from 15% to 12.75% due to the capital injections by the other equity holders. Following the capital injections, the Group continues to exercise significant influence over the associate and therefore it remains as associate of the Group. The Group recorded a loss on deemed partial disposal of approximately RMB78,000 in profit or loss.

(iii) Additional contributions to associates

During the year ended 31 December 2023, the Group made additional contributions to various associates with an aggregate amount of RMB42,134,000.

(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:

	2024 **RMB'000**	2023 RMB'000
Current assets	**1,416,962**	2,481,140
Non-current assets	**331,283**	444,370
Current liabilities	**(1,187,277)**	(1,889,979)
Non-current liabilities	**(102,762)**	(1,790)
Net assets	**458,206**	1,033,741
Less: Non-controlling interests	**(325,320)**	(624,866)
Net assets attributable to shareholders of the associate	**132,886**	408,875
Revenue	**10,995,925**	18,552,843
Loss for the year attributable to shareholders of the associate	**(289,230)**	(1,829,540)
Other comprehensive income (expense) for the year	**1,836**	(69,963)
Total comprehensive expense for the year	**(287,394)**	(1,899,503)

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(iv) Financial information of associates (Continued)

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

	2024 RMB'000	2023 RMB'000
Net assets of the associate	**132,886**	408,875
Proportion of the Group's ownership interest in HCI	**19.37%**	19.37%
Goodwill	**294,919**	294,919
	320,659	374,118
Less: accumulated impairment	**(320,659)**	(320,659)
Carrying amount of the Group's interest in HCI	**–**	53,459

The following table illustrates the summarised financial information in respect of Zhihui Shenzhou, that is material to the Group and is accounted for using equity method:

	2024 RMB'000	2023 RMB'000
Current assets	**1,374,288**	1,414,088
Non-current assets	**161,403**	167,327
Current liabilities	**(1,267,543)**	(1,288,043)
Non-current liabilities	**(9,059)**	(9,530)
Net assets	**259,089**	283,842
Less: Non-controlling interests	**(73,011)**	(72,459)
Net assets attributable to shareholders of the associate	**186,078**	211,383
Revenue	**172,236**	130,358
(Loss) profit for the year attributable to shareholders of the associate	**(25,152)**	4,282

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(iv) Financial information of associates (Continued)

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

	2024 RMB'000	2023 RMB'000
Net assets of the associate	**186,078**	211,383
Proportion of the Group's ownership interest in Zhihui Shenzhou	**40%**	40%
Carrying amount of the Group's interest in Zhihui Shenzhou	**74,431**	84,553

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

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of the Group's investments in associates that are not individually material, net of accumulated impairment	**144,175**	168,711
Share of the associates' loss for the year	**(6,825)**	(180,563)
Share of the associates' other comprehensive expense for the year	**–**	(23,087)
Share of the associates' total comprehensive expense for the year	**(6,825)**	(203,650)
Dividend received from associates during the year	**240**	1,175

During the year ended 31 December 2024, the management of the Group conducted a review on the recoverable amount of its interests in certain associates by reference to price to book ratio or cash flow forecast and recognised an impairment loss of RMB23,784,000 (2023: RMB156,297,000).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	2024 RMB'000	2023 RMB'000
Equity instruments designated as at FVTOCI		
Unlisted equity investments	**362,361**	721,071

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 49.

During the year ended 31 December 2024, the Group has disposed certain unlisted equity investments at consideration of RMB6,130,000 (2023: RMB85,910,000) and reclassified an investment with a carrying amount of RMB285,244,000 (2023: nil) to assets classified as held for sale. Details of the assets held for sales are disclosed in note 28.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL comprise:

	2024 RMB'000	2023 RMB'000
Financial assets measured at FVTPL		
Listed equity securities	**–**	51,664
Unlisted wealth management financial products (note)	**317,658**	268,669
	317,658	320,333
Analysis by:		
Current portion	**183,198**	320,333
Non-current portion	**134,460**	–
	317,658	320,333

During the year ended 31 December 2024, the Group has disposed certain listed equity securities at consideration of RMB72,922,000 (2023: RMB80,386,000).

Details of the fair value of these investments are disclosed in note 49.

Note:

The wealth management financial products as at 31 December 2024 and 2023 were acquired from reputable banks or financial institutions in the PRC. The financial products with short maturities ranging from 3 months to 6 months are classified as current assets, while financial products with maturities more than 12 months are classified as non-current assets.

24. FINANCE LEASE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Finance lease receivables	**26,512**	32,506
Less: loss allowance	**(7,094)**	(7,094)
	19,418	25,412

The Group provides finance leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. The Group's finance lease arrangements do not include variable payments.

	Minimum lease payments		Present value of minimum lease payments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Net finance lease receivables:				
Due with one year	**24,868**	30,898	**19,418**	25,412
Less: unearned finance income	**(5,450)**	(5,486)		
Present value of minimum lease payment receivables	**19,418**	25,412		

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

	2024 RMB'000	2023 RMB'000
At the beginning and the end of year	**7,094**	7,094

The directors of the Company estimate the loss allowance on finance lease receivables individually at the end of the reporting period at an amount equal to lifetime ECL under the simplified approach. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of the pledged equipment held over these finance lease receivables, the directors of the Company made allowance for impairment of finance lease receivables of approximately RMB7,094,000 (2023: RMB7,094,000) as at 31 December 2024.

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 2024 and 2023, 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:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**224,338**	231,112
Deferred tax liabilities	**(504,237)**	(467,336)
	(279,899)	(236,224)

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

	Asset provisions RMB'000	Revaluation of properties RMB'000	Assets revaluation RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	201,269	(422,292)	(18,966)	(10,859)	11,196	(35,645)	(275,297)
Deferred tax (charged) credited to other comprehensive income (note 11)	(6,448)	44,048	27	(10,473)	10,575	(32,843)	4,886
Deferred tax credited to other comprehensive income	–	–	34,187	–	–	–	34,187
As at 31 December 2023	194,821	(378,244)	15,248	(21,332)	21,771	(68,488)	(236,224)
Deferred tax (charged) credited to profit or loss (note 11)	(23,283)	1,879	5,952	3,642	(4,312)	(3,368)	(19,490)
Deferred tax charged to other comprehensive income	–	–	(24,185)	–	–	–	(24,185)
As at 31 December 2024	**171,538**	**(376,365)**	**(2,985)**	**(17,690)**	**17,459**	**(71,856)**	**(279,899)**

The Group's tax losses arising in Mainland China of RMB1,136,437,000 (2023: RMB856,418,000) 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 RMB2,357,281,000 (2023: RMB1,817,784,000) 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 RMB1,856,783,000 (2023: RMB1,523,777,000). 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

	2024 RMB'000	2023 RMB'000
Trading stock	**1,117,841**	820,228

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. ASSETS CLASSIFIED AS HELD FOR SALE

	2024 RMB'000
Financial asset at fair value through other comprehensive income (note i)	**285,244**
Investment properties (note ii)	**39,092**
	324,336

Notes:

i. During the year ended 31 December 2024, the Group entered into an agreement with 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited) ("**Hohhot Jingu**"), pursuant to which the Group conditionally agreed to sell, and Hohhot Jingu conditionally agreed to purchase, the Group's entire 9.8% equity interests in Hohhot Jingu at a consideration of approximately RMB285,244,000. The investment in Hohhot Jingu, previously classified as financial asset at fair value through other comprehensive income, which is expected to be disposed within twelve months, from the end of the reporting period has been classified as asset classified as held for sale and is presented separately on the consolidated statement of financial position.

ii. During the year ended 31 December 2024, the Group entered into sales and purchases agreement with independent third parties, pursuant to which the Group would dispose certain investment properties. The consideration are expected to exceed the carrying amount of investment properties. The corresponding investment properties which are expected to be disposed within twelve months from the end of the reporting period, have been classified as asset classified as held for sale and is presented separately on the consolidated statement of financial position.

29. ACCOUNTS AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Receivables at amortised cost comprise		
Accounts and bills receivables	**4,308,918**	4,963,616
Less: loss allowance	**(917,649)**	(783,332)
Total	**3,391,269**	4,180,284
Analysis by:		
Current portion	**3,259,130**	4,029,490
Non-current portion	**132,139**	150,794
	3,391,269	4,180,284

At as 1 January 2023, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB3,864,861,000.

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 RMB132,139,000 (2023: RMB150,794,000), net of loss allowance of RMB17,206,000 (2023: RMB5,020,000), of which will be settled after 12 months from the end of the reporting period as per agreed repayment schedule. The effective interest rate of this receivable is 4.20% to 5.79% (2023: 4.20% to 7.19%) per annum.

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.

	2024 RMB'000	2023 RMB'000
Within 30 days	**1,904,388**	2,546,878
31 to 60 days	**185,442**	213,040
61 to 90 days	**112,764**	69,317
91 to 180 days	**186,561**	262,229
181 to 360 days	**267,875**	376,664
Over 360 days	**734,239**	712,156
	3,391,269	4,180,284

29. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

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 2024

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Individually	**100%**	**89,709**	**89,709**	**–**
Collectively				
Current (not past due)	**1%**	**2,406,046**	**35,478**	**2,370,568**
Less than 90 days past due	**6%**	**302,279**	**17,999**	**284,280**
91 to 180 days past due	**9%**	**220,833**	**20,253**	**200,580**
181 to 360 days past due	**24%**	**383,346**	**90,302**	**293,044**
361 to 720 days past due	**54%**	**528,506**	**285,709**	**242,797**
More than 721 days past due	**100%**	**378,199**	**378,199**	**–**
		4,308,918	**917,649**	**3,391,269**

As at 31 December 2023

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Individually	100%	49,188	49,188	–
Collectively				
Current (not past due)	2%	3,157,301	65,514	3,091,787
Less than 90 days past due	6%	365,441	21,025	344,416
91 to 180 days past due	8%	233,382	19,768	213,614
181 to 360 days past due	20%	408,503	83,301	325,202
361 to 720 days past due	52%	423,262	217,997	205,265
More than 721 days past due	100%	326,539	326,539	–
		4,963,616	783,332	4,180,284

29. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

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

	2024 RMB'000	2023 RMB'000
At the beginning of year	**783,332**	709,792
Impairment losses recognised	**172,473**	106,869
Write-off as uncollectible	**(33,115)**	(32,057)
Exchange realignment	**(5,041)**	(1,272)
At the end of year	**917,649**	783,332

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies (note 44(b)) of approximately RMB61,362,000 (2023: RMB20,313,000), net of loss allowances of RMB44,687,000 (2023: RMB44,954,000), RMB2,896,000 (2023: RMB2,064,000), net of loss allowances of RMB1,985,000 (2023: RMB1,900,000) and RMB43,490,000 (2023: RMB43,284,000), net of loss allowances of RMB1,249,000 (2023: RMB1,352,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
Deposits and other receivables		**1,894,874**	1,709,015
Less: loss allowance		**(617,647)**	(589,951)
	(i)	**1,277,227**	1,119,064
Prepayments	(ii)	**583,644**	488,368
Loans to joint ventures	(iii)	**108,065**	108,065
		1,968,936	1,715,497
Analysis by:			
Current portion		**1,528,936**	1,275,497
Non-current portion		**440,000**	440,000
		1,968,936	1,715,497

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) As at 31 December 2024, included in Group's prepayments, deposits and other receivables were loan receivables with a gross amount of approximately RMB1,073,706,000 (2023: RMB1,073,706,000).

During the year ended 31 December 2023, impairment loss of loan receivables of approximately RMB480,612,000 was recognised (2024: nil) in the profit or loss. As at 31 December 2024, the accumulative impairment loss of loan receivables amounted to RMB549,296,000 (2023: RMB549,296,000) resulting in net loan receivables of RMB524,410,000 (2023: RMB524,410,000).

Out of the net loan receivables were amount of approximately RMB440,000,000 (2023: RMB440,000,000), that are not expected to be realised within 12 months from the end of the reporting period. As such, these balances were classified as non-current assets. For the remaining balance of approximately RMB84,410,000 (2023: RMB84,410,000), they were classified as current assets as the collaterals are expected to be realised within 12 months from the end of the reporting period. The loan receivables were secured by the properties of the borrowers.

(ii) As at 31 December 2024, included in the Group's prepayments, deposits and other receivables were amounts due from related companies of the Group of approximately RMB4,189,000 (2023: RMB61,379,000).

(iii) At 31 December 2024, included in the Group's prepayments, deposits and other receivables are loans of approximately RMB108,065,000 (2023: RMB108,065,000) to a joint venture of the Group, which are unsecured, bears interest at 4.52% (2023: 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, other than the loan receivables, relate to receivables for which there was no recent history of default.

The movements in loss allowance of other receivables are as follows:

	2024 **RMB'000**	2023 RMB'000
At the beginning of year	**589,951**	102,236
Impairment losses recognised	**27,696**	487,715
At the end of year	**617,647**	589,951

Details of impairment assessment of deposits and other receivables are set out in note 50.

For the purposes of impairment assessment for loans to joint ventures, the directors of the Company considered that these loans 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.

31. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2024 RMB'000	2023 RMB'000
Contract assets	**4,267,989**	4,017,544
Less: loss allowance	**(456,749)**	(419,235)
	3,811,240	3,598,309

As at 1 January 2023, contract assets amounted to RMB3,112,288,000.

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:

	2024 RMB'000	2023 RMB'000
At the beginning of year	**419,235**	361,129
Impairment losses recognised	**37,514**	58,106
At the end of year	**456,749**	419,235

(b) Contract liabilities

	2024 RMB'000	2023 RMB'000
Receipt in advance	**1,800,142**	1,838,120
Due to contract customers	**464,098**	433,073
Total contract liabilities	**2,264,240**	2,271,193

As at 1 January 2023, contract liabilities amounted to RMB2,116,469,000.

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

Revenue recognised during the year ended 31 December 2024 that was included in the contract liabilities at the beginning of the year is approximately RMB2,271,193,000 (2023: RMB2,116,469,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**3,222,320**	3,104,082
Time deposits	**4,000**	4,000
	3,226,320	3,108,082
Less: Restricted bank balances	**(83,479)**	(224,774)
Cash and cash equivalents	**3,142,841**	2,883,308

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB3,051,572,000 (2023: RMB2,844,786,000). 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.

33. 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.

	2024 RMB'000	2023 RMB'000
Within 30 days	**1,698,294**	2,006,503
31 to 60 days	**256,520**	433,038
61 to 90 days	**207,013**	129,945
Over 90 days	**2,089,195**	1,382,526
	4,251,022	3,952,012

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 2024, included in the Group's accounts and bills payables were amounts due to joint ventures, associates and related companies of the Group of approximately RMB1,517,000 (2023: RMB1,266,000), RMB101,095,000 (2023: RMB45,265,000) and RMB241,939,000 (2023: RMB145,552,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

34. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Other payables	**551,662**	624,275
Accruals	**308,302**	400,645
Payroll payables	**376,517**	401,416
Deposit received	**19,246**	–
Deferred income (note 45)	**1,517**	1,528
	1,257,244	1,427,864

Included in the Group's other payables are amounts due to joint ventures and related companies of RMB5,000,000 (2023: RMB5,000,000) and RMB17,272,000 (2023: RMB21,484,000) respectively.

At 31 December 2024 and 2023, other payables are unsecured and non-interest-bearing and have an average term of three months.

35. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans, unsecured	**1,042,080**	529,061
Bank loans, secured	**2,363,666**	2,688,050
Other borrowing	**76,991**	66,311
	3,482,737	3,283,422
Analysed for reporting purpose as:		
Current	**1,980,515**	1,401,935
Non-current	**1,502,222**	1,881,487
	3,482,737	3,283,422

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

	2024 RMB'000	2023 RMB'000
Bank loans repayable (based on scheduled repayment dates set out in the loan agreements dates):		
Within one year	**1,903,524**	1,335,624
In the second year	**118,377**	323,845
In the third to fifth years, inclusive	**435,026**	426,240
Beyond five years	**948,819**	1,131,402
	3,405,746	3,217,111
Other borrowing repayable:		
Within one year	**76,991**	66,311
	3,482,737	3,283,422

	2024			2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, unsecured	**1.01–4.20**	**2025**	**1,042,080**	2.65–4.90	2024	529,061
Bank loans, secured	**1.50–4.00**	**2025**	**597,099**	3.65–4.80	2024	580,000
Current portion of long term bank loans, secured	**3.10–5.30**	**2025**	**264,345**	4.35–5.30	2024	226,563
Other borrowing	**1.50–15**	**2025**	**76,991**	2.20–15	2024	66,311
			1,980,515			1,401,935
Non-current						
Bank loans, secured	**3.10–5.30**	**2026–2037**	**1,502,222**	4.30–5.30	2025–2037	1,881,487
			3,482,737			3,283,422

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

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

	2024	2023
Effective interest rate:		
Fixed-rate borrowings	**1.01%–4.05%**	2.65%–5.30%
Variable-rate borrowings	**1.50%–5.30%**	4.30%–5.30%

As at 31 December 2024, the Group's borrowings carrying interest at floating rates and fixed rates amounted approximately to RMB1,963,722,000 (2023: RMB2,003,611,000) and RMB1,519,015,000 (2023: RMB1,279,811,000) respectively.

As at 31 December 2024 and 2023, 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 RMB89,815,000 (2023: RMB72,286,000) (note 14);
- (ii) mortgages over investments properties, which had an aggregate carrying value at the end of the reporting period of RMB2,963,912,000 (2023: RMB3,347,553,000) (note 15);
- (iii) mortgages over the land use rights, which had an aggregate carrying value at the end of the reporting period of RMB12,374,000 (2023: RMB12,761,000) (note 16); and
- (iv) The Group's borrowings of approximately RMB450,000,000 (2023: RMB830,000,000) provided by certain financial institutions were secured by 125,353,900 (2023: 183,184,000) ordinary shares issued by DCITS with an aggregate fair value of RMB1,403,964,000 (2023: RMB2,068,147,000) as at 31 December 2024.

(b) At 31 December 2024, except for the bank borrowings of RMB116,916,000 (2023: nil) are denominated in Hong Kong dollars, the remaining bank and other borrowings are denominated in RMB.

36. SHARE CAPITAL

	2024 HK$'000	2023 HK$'000
Authorised:		
2,500,000,000 (2023: 2,500,000,000) ordinary shares of HK$0.1 (2023: HK$0.1) each	**250,000**	250,000

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
2024: 1,673,607,386 (2023: 1,673,607,386) ordinary shares of HK$0.1 (2023: HK$0.1) each	**163,826**	163,826

36. SHARE CAPITAL (CONTINUED)

A summary of the movements in the Company's issued share capital and share premium account during the years ended 31 December 2024 and 2023 is as follows:

	Number of ordinary shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
1 January 2023, 31 December 2023 and 31 December 2024	**1,673,607,386**	**163,826**	**4,139,709**	**4,303,535**

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 2024 and 2023.

37. 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.

38. SHARE-BASED INCENTIVE SCHEMES

Share-based Incentive Schemes of the Company

(a) Share Option Scheme

The share option scheme of the Company was adopted on 15 August 2011 (the "2011 Share Option Scheme"). The 2011 Share Options Scheme has a life span of ten years and has expired on 14 August 2021. Since then, no further share options can be granted under the 2011 Share Option Scheme.

The principal terms of the 2011 Share Option Scheme are as follows:

(I) Purpose

The 2011 Share Option Scheme seeks to recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons (as defined below) to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with the qualified persons whose contributions are or may be beneficial to the growth of the Group.

(II) Qualified persons

Any part-time or full-time employee or officer or director (including executive, non-executive or independent non-executive directors) of any member of the Group or of any associated company, or any supplier, partner, customer, joint venture partner, strategic alliance partner, distributor, professional adviser of, or consultant or contractor to, any member of the Group, or the trustee of any trust pre-approved by the board of directors of the Company, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons.

(III) Maximum number of shares

The maximum number of shares of the Company available for issue under the 2011 Share Option Scheme upon exercise of all outstanding share options was 121,531,888 (2023: 129,124,888), which represent 7.26% (2023: 7.72%) 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 of the Company 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).

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Scheme (Continued)

(IV) Maximum entitlement of each qualified person (Continued)

Any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must, in addition to obtaining the approval of the independent non-executive directors of the Company, be approved by the shareholders of the Company in a general meeting if such proposed grant of share options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to such substantial shareholder or independent non-executive director during the 12-month period up to and including the date of such grant of options, would (i) entitle that relevant person to receive more than 0.1% of the total issued share capital of the Company for the time being; and (ii) represent an aggregate value in excess of HK$5,000,000 based on the closing price of the shares of the Company on the Stock Exchange at the date of such grant.

(V) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the 2011 Share Option Scheme shall be the period set out in the relevant offer letter, provided that such period must expire on the date falling on the tenth anniversary of the offer date.

(VI) Acceptance of offers

An offer of the grant of an option shall be accepted by the grantee on or before the last date for acceptance of such offer as set out in the relevant offer letter, which must not be more than 28 business days from the relevant offer date. A consideration of HK$1.00 shall be received by the Company on acceptance of each offer.

(VII) Basis for determination of the subscription price

The subscription price shall be the highest of (a) the closing price of the shares on the offer date; (b) the average of the closing prices of the shares for the five business days immediately preceding the offer date; or (c) the nominal value of a share.

(VIII) Life of Share Option Scheme

The 2011 Share Option Scheme shall remain valid and effective for a period of ten years commencing from 15 August 2011, being the date on which the scheme was deemed to take effect in accordance with its terms and had expired on 14 August 2021.

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Scheme (Continued)

The following tables show the movements in the Company's share options granted under the 2011 Share Option Scheme according to dates of grant during the years ended 31 December 2024 and 2023, respectively:

	Number of share options											
Grantees	Outstanding as at 1/1/2024	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2024	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	54,000,000	–	–	–	–	54,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIN Yang	13,116,974	–	–	–	–	13,116,974	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
LIN Yang	1,332,000	–	–	–	–	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIU Yun, John	1,332,000	–	–	–	–	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
KING William	1,332,000	–	–	–	–	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
WONG Man Chung, Francis	1,332,000	–	–	–	(1,332,000)	–	6.60	6.54	–	13/7/2020	(iv)	(v), (xi)
NI Hong (Hope)	1,332,000	–	–	–	(1,332,000)	–	6.60	6.54	–	13/7/2020	(iv)	(v), (xi)
CHEN Timothy Yung-Cheng	500,000	–	–	–	(500,000)	–	4.82	4.81	–	16/7/2021	(vi)	(vii), (xi)
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	–	–	–	(999,000)	1,000,000	4.818	4.87	–	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	4,467,600	–	–	–	(320,000)	4,147,600	4.32	4.26	–	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,000,000	–	–	–	–	2,000,000	4.04	3.95	–	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	4,445,000	–	–	–	(650,000)	3,795,000	4.17	4.16	–	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	1,319,000	–	–	–	–	1,319,000	4.48	4.27	–	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	7,864,000	–	–	–	(800,000)	7,064,000	6.60	6.54	–	13/7/2020	(iv)	(v)
Other employees	1,332,000	–	–	–	(30,000)	1,302,000	6.60	6.54	–	13/7/2020	13/7/2021-12/7/2028	(iii)
Other employees	4,610,000	–	–	–	(1,200,000)	3,410,000	5.44	5.37	–	31/3/2021	31/3/2022-30/3/2029	(iii)
Other participants	1,000,000	–	–	–	–	1,000,000	5.44	5.37	–	31/3/2021	(viii)	(viii), (x)
Other employees	5,713,000	–	–	–	(430,000)	5,283,000	4.48	4.10	–	28/7/2021	28/7/2022-27/7/2029	(iii)
Other participants	1,000,000	–	–	–	–	1,000,000	4.48	4.10	–	28/7/2021	(ix)	(ix), (x)
In aggregate	129,124,888	–	–	–	(7,593,000)	121,531,888			–			
Exercisable at the end of the year						116,029,888						
Weighted average exercise price (HK$)	6.130	–	–	–	5.641	6.160						

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Scheme (Continued)

	Number of share options											
Grantees	Outstanding as at 1/1/2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2023	Exercise price per share HK$	Closing price immediately before the date of grant HK$	Weighted average closing price of shares immediately before the date of share options being exercised during the year HK$	Date of grant	Exercisable period	Notes
Directors												
GUO Wei	13,116,974	–	–	–	–	13,116,974	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
GUO Wei	81,000,000	–	–	–	(27,000,000)	54,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIN Yang	13,116,974	–	–	–	–	13,116,974	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
LIN Yang	2,000,000	–	–	–	(668,000)	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
WONG Man Chung, Francis	2,000,000	–	–	–	(668,000)	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
NI Hong (Hope)	2,000,000	–	–	–	(668,000)	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIU Yun, John	2,000,000	–	–	–	(668,000)	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
KING William	2,000,000	–	–	–	(668,000)	1,332,000	6.60	6.54	–	13/7/2020	(iv)	(v)
CHEN Timothy Yung-Cheng	1,000,000	–	–	–	(500,000)	500,000	4.82	4.81	–	16/7/2021	(vi)	(vii)
Other employees	5,981,340	–	–	–	–	5,981,340	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	1,999,000	–	–	–	–	1,999,000	4.818	4.87	–	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	4,802,600	–	–	–	(335,000)	4,467,600	4.32	4.26	–	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,000,000	–	–	–	–	2,000,000	4.04	3.95	–	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	4,844,990	–	–	–	(399,990)	4,445,000	4.17	4.16	–	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	1,319,000	–	–	–	–	1,319,000	4.48	4.27	–	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	11,600,000	–	–	–	(3,736,000)	7,864,000	6.60	6.54	–	13/7/2020	(iv)	(v)
Other employees	1,512,000	–	–	–	(180,000)	1,332,000	6.60	6.54	–	13/7/2020	13/7/2021-12/7/2028	(iii)
Other employees	5,190,000	–	–	–	(580,000)	4,610,000	5.44	5.37	–	31/3/2021	31/3/2022-30/3/2029	(iii)
Other participants	1,000,000	–	–	–	–	1,000,000	5.44	5.37	–	31/3/2021	(viii)	(viii), (x)
Other employees	6,053,000	–	–	–	(340,000)	5,713,000	4.48	4.10	–	28/7/2021	28/7/2022-27/7/2029	(iii)
Other participants	1,000,000	–	–	–	–	1,000,000	4.48	4.10	–	28/7/2021	(ix)	(ix), (x)
In aggregate	165,535,878	–	–	–	(36,410,990)	129,124,888						
Exercisable at the end of the year						117,583,888						
Weighted average exercise price (HK$)	6.209	–	–	–	6.450	6.130						

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Scheme (Continued)

The following tables summarise the movements in the share options granted under the 2011 Share Option Scheme (by each class of grantees) during the years ended 31 December 2024 and 2023, respectively:

	Number of share options					
Class of grantees	**Outstanding as at 1 January 2024**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2024**
Directors	**87,393,948**	**–**	**–**	**–**	**(3,164,000)**	**84,229,948**
Other employees	**39,730,940**	**–**	**–**	**–**	**(4,429,000)**	**35,301,940**
Sub-total	**127,124,888**	**–**	**–**	**–**	**(7,593,000)**	**119,531,888**
Other participants (Note (x))	**2,000,000**	**–**	**–**	**–**	**–**	**2,000,000**
Total	**129,124,888**	**–**	**–**	**–**	**(7,593,000)**	**121,531,888**

	Number of share options					
Class of grantees	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2023
Directors	118,233,948	–	–	–	(30,840,000)	87,393,948
Other employees	45,301,930	–	–	–	(5,570,990)	39,730,940
Sub-total	163,535,878	–	–	–	(36,410,990)	127,124,888
Other participants (Note (x))	2,000,000	–	–	–	–	2,000,000
Total	165,535,878	–	–	–	(36,410,990)	129,124,888

Notes:

(i) As a result of the rights issue which was completed on 18 September 2017, the exercise price was adjusted from HK$6.71 to HK$6.394 under the 2011 Share Option Scheme, and the numbers of outstanding share options were adjusted accordingly.

(ii) All options granted under the 2011 Share Option Scheme are exercisable in whole or in part at anytime during the exercisable period.

(iii) The options granted under the 2011 Share Option Scheme are subject to a vesting period of five years with 20% becoming exercisable on the first anniversary, 20% on the second anniversary, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary of the respective dates of grant.

(iv) Exercisable period is from the date of satisfaction of certain conditions to 12 July 2028. For details of the conditions please refer to Note (v).

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Scheme (Continued)

Notes: (Continued)

(v) The vesting and exercise of the share options shall be conditional upon the Group's audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2020, 2021 and 2022 as set out in the relevant grant letters (if any). As certain of the conditions had been satisfied, the relevant portion of the share options was vested on the respective relevant dates.

(vi) Exercise period is from the date of satisfaction of certain conditions to 15 July 2029. For details of the conditions please refer to Note (vii).

(vii) The vesting and exercise of the share options shall be conditional upon the Group's audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2021 and 2022 as set out in the relevant grant letters (if any). As certain of the conditions had been satisfied, the relevant portion of the share options was vested on the relevant date.

(viii) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 30 March 2029.

(ix) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 27 July 2029. Other participants mean service providers who provide services to the Group.

(x) Other participants mean service providers who provide services to the Group.

(xi) Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng retired as Independent Non-executive Director upon the conclusion of the annual general meeting of the Company held on 27 June 2024.

No share options were granted to participants other than those set out in the tables above.

Share options granted to the participants under the 2011 Share Option Scheme do not confer rights on the holders to dividends or to vote at general meetings.

During the year ended 31 December 2024, RMB1,929,000 (2023: RMB4,061,000) was recognised as share option expenses.

No share option was granted during 2023 and 2024 under the 2011 Share Option Scheme.

As at 31 December 2024, the Company had 121,531,888 (2023: 129,124,888) share options outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 121,531,888 (2023: 129,124,888) additional ordinary shares of the Company and additional share capital of approximately HK$12,153,000 (2023: HK$12,912,000) and share premium of approximately HK$736,509,000 (2023: HK$778,580,000) (before issue expenses and transfer of employee share-based compensation reserve).

At the date of approval of these financial statements, the Company had 85,716,600 (2023: 128,924,888) share options outstanding under the 2011 Share Option Scheme, which represented approximately 5.12% (2023: 7.70%) of the Company's shares in issue as at that date.

During the years ended 31 December 2023 and 2024, no option is available for grant under the 2011 Share Option Scheme.

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme")

The RSA Scheme was adopted on 28 March 2011 for the purpose of rewarding and motivating, among others, directors (including executive and non-executive) and employees of the Company and its subsidiaries (the "**Participants**") with the shares of the Company. The RSA Scheme is intended to attract and retain the best available personnel, and encourage and motivate the Participants to work towards enhancing the value of the Group and the Company's shares by aligning their interests with those of the shareholders of the Company. The RSA Scheme shall be valid and effective from the date of adoption until termination by the board 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.

38. 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 2024 and 2023, respectively:

	Number of RSUs									
Grantees:	Outstanding as at 1/1/2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2024	Closing price Immediately before the date of grant HK$	Weighted average closing price of shares immediately before the vesting date for shares vested during the years HK$	Date of grant	Notes
Five highest paid employees										
Employee	–	50,000	–	–	–	50,000	2.95	–	30/9/2024	(i)
	2,000,000	–	(400,000)	–	–	1,600,000	2.49	2.98	30/9/2023	(i)
Sub-total	2,000,000	50,000	(400,000)	–	–	1,650,000				
Other employees										
Other employees	360,000	–	(180,000)	–	–	180,000	4.30	2.69	7/5/2020	(i)
Other employees	1,980,000	–	(660,000)	–	(132,000)	1,188,000	5.37	2.69	31/3/2021	(i)
Other employees	2,785,600	–	(696,400)	–	(132,000)	1,957,200	3.95	2.69	30/6/2022	(i)
Other participants	176,000	–	(44,000)	–	(18,000)	114,000	3.95	2.69	30/6/2022	(i), (iii)
Other employees	2,000	–	–	–	–	2,000	3.95	–	30/6/2022	(ii)
Other employees	128,000	–	(32,000)	–	(60,000)	36,000	3.15	2.69	30/9/2022	(i)
Other employees	125,600	–	(31,400)	–	–	94,200	3.70	2.69	7/12/2022	(i)
Other participants	160,000	–	(40,000)	–	(120,000)	–	3.70	2.69	7/12/2022	(i), (iii)
Other employees	60,000	–	(12,000)	–	–	48,000	3.89	2.84	31/3/2023	(i)
Other employees	27,000	–	(27,000)	–	–	–	3.89	2.84	31/3/2023	(ii)
Other employees	1,756,000	–	(351,200)	–	(82,400)	1,322,400	3.03	2.84	30/6/2023	(i)
Other participants	50,000	–	(10,000)	–	–	40,000	3.03	2.84	30/6/2023	(i), (iii)
Other employees	160,000	–	(32,000)	–	(128,000)	–	2.49	2.98	30/9/2023	(i)
Other employees	167,000	–	(23,400)	–	(106,000)	37,600	2.13	2.98	7/12/2023	(i)
Other participants	–	150,000	–	–	–	150,000	2.32	–	1/1/2024	(ii), (iii)
Other employees	–	3,076,200	–	–	–	3,076,200	2.95	–	30/9/2024	(i)
Other participants	–	45,000	–	–	–	45,000	2.95	–	30/9/2024	(i), (iii)
Other employees	–	94,000	–	–	–	94,000	2.95	–	30/9/2024	(ii)
Other participants	–	3,000	–	–	–	3,000	2.95	–	30/9/2024	(ii), (iii)
Other employees	–	285,000	–	–	–	285,000	3.77	–	30/11/2024	(i)
Sub-total	7,937,200	3,653,200	(2,139,400)	–	(778,400)	8,672,600				
Total	9,937,200	3,703,200	(2,539,400)	–	(778,400)	10,322,600				

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme") (Continued)

	Number of RSUs									
Grantees:	Outstanding as at 1/1/2023	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2023	Closing price Immediately before the date of grant HK$	Weighted average closing price of shares immediately before the vesting date for shares vested during the years HK$	Date of grant	Notes
Five highest paid employees										
Employee	300,000	–	(60,000)	–	–	240,000	3.95	5.39	30/6/2022	(i)
	–	5,000	–	–	–	5,000	3.89	–	31/3/2023	(ii)
	–	100,000	–	–	–	100,000	3.03	–	30/6/2023	(i)
Sub-total	300,000	105,000	(60,000)	–	–	345,000				
Other employees										
Other employees	540,000	–	(180,000)	–	–	360,000	4.30	5.39	7/5/2020	(i)
Other employees	3,000,000	–	(750,000)	–	(270,000)	1,980,000	5.37	5.39	31/3/2021	(i)
Other employees	3,577,000	–	(715,400)	–	(316,000)	2,545,600	3.95	5.39	30/6/2022	(i)
Other participants	220,000	–	(44,000)	–	–	176,000	3.95	5.39	30/6/2022	(i), (iii)
Other employees	66,000	–	(64,000)	–	–	2,000	3.95	5.39	30/6/2022	(ii)
Other participants	7,000	–	(7,000)	–	–	–	3.95	5.39	30/6/2022	(ii), (iii)
Other employees	210,000	–	(42,000)	–	(40,000)	128,000	3.15	5.39	30/9/2022	(i)
Other employees	2,000	–	(2,000)	–	–	–	3.15	5.39	30/9/2022	(ii)
Other employees	357,000	–	(71,400)	–	(160,000)	125,600	3.70	5.39	7/12/2022	(i)
Other employees	21,300	–	(21,300)	–	–	–	3.70	5.39	7/12/2022	(ii)
Other participants	200,000	–	(40,000)	–	–	160,000	3.70	5.39	7/12/2022	(i), (iii)
Other employees	–	55,000	–	–	–	55,000	3.89	–	31/3/2023	(i)
Other employees	–	27,000	–	–	–	27,000	3.89	–	31/3/2023	(ii)
Other employees	–	1,934,000	–	–	(278,000)	1,656,000	3.03	–	30/6/2023	(i)
Other participants	–	50,000	–	–	–	50,000	3.03	–	30/6/2023	(i), (iii)
Other employees	–	2,160,000	–	–	–	2,160,000	2.49	–	30/9/2023	(i)
Other employees	–	167,000	–	–	–	167,000	2.13	–	7/12/2023	(i)
Sub-total	8,200,300	4,393,000	(1,937,100)	–	(1,064,000)	9,592,200				
Total	8,500,300	4,498,000	(1,997,100)	–	(1,064,000)	9,937,200				

Notes:

(i) Such RSUs are subject to a vesting period of five years with 20% being vested in January of the first year, 20% in January of the second year, 20% in January of the third year, 20% in January of the fourth year and 20% in January of the fifth year after the respective dates of grant.

(ii) Such RSUs shall be vested in January of the first year after the respective dates of grant.

(iii) Other participants represented service providers who provide services to the Group.

(iv) No performance targets were set for RSUs shown in the above tables.

38. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme") (Continued)

The following tables summarise the movements in the RSUs granted under the RSA Scheme to directors, other employees and other participants during the year ended 31 December 2024 and 2023, respectively:

	Number of RSUs					
Class of grantees	**Outstanding as at 1 January 2024**	**Granted during the year**	**Vested during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2024**
Directors	**–**	**–**	**–**	**–**	**–**	**–**
Other employees	**9,551,200**	**3,505,200**	**(2,445,400)**	**–**	**(640,400)**	**9,970,600**
Sub-total	**9,551,200**	**3,505,200**	**(2,445,400)**	**–**	**(640,400)**	**9,970,600**
Other participants (Note (i))	**386,000**	**198,000**	**(94,000)**	**–**	**(138,000)**	**352,000**
Total	**9,937,200**	**3,703,200**	**(2,539,400)**	**–**	**(778,400)**	**10,322,600**

	Number of RSUs					
Class of grantees	Outstanding as at 1 January 2023	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2023
Directors	–	–	–	–	–	–
Other employees	8,073,300	4,448,000	(1,906,100)	–	(1,064,000)	9,551,200
Sub-total	8,073,300	4,448,000	(1,906,100)	–	(1,064,000)	9,551,200
Other participants (Note (i))	427,000	50,000	(91,000)	–	–	386,000
Total	8,500,300	4,498,000	(1,997,100)	–	(1,064,000)	9,937,200

Note (i): Other participants represented service providers who provide services to the Group.

The fair values of the RSUs granted under the RSA Scheme at granted date during the current year amount to approximately RMB11,074,000 (2023: RMB11,695,000). The fair value of RSUs was determined by the closing price of the Company's common stock on the date of grant.

During the current year, the Group recognised the total expenses of RMB10,835,000 (2023: RMB11,690,000) in relation to RSUs granted by the Company.

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As at 31 December 2024, the Group's indirect equity interests in DCITS was 40.54% (2023: 40.30%), 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:

	2024	2023
Percentage of equity interest held by non-controlling interests:		
DCITS	**59.46%**	59.70%

	2024 **RMB'000**	2023 RMB'000
(Loss) profit for the year allocated to non-controlling interests:		
DCITS and its subsidiaries	**(309,336)**	106,711
Accumulated balances of non-controlling interests at the reporting date:		
DCITS and its subsidiaries	**3,339,982**	3,701,764

39. 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	
	2024	2023
	RMB'000	RMB'000
Revenue and other income	**10,037,454**	12,094,885
Total cost and expenses	**(10,571,794)**	(11,920,259)
(Loss) profit for the year	**(534,340)**	174,626
— attributable to equity holders of DCITS and subsidiaries	**(522,162)**	178,290
Total comprehensive (expense) income for the year	**(418,452)**	274,494
— attributable to equity holders of DCITS and subsidiaries	**(406,272)**	278,159
Dividend paid to non-controlling interest	**(18,325)**	(18,476)
Current assets	**9,864,626**	10,249,060
Non-current assets	**2,060,122**	2,495,084
Current liabilities	**6,085,282**	6,277,696
Non-current liabilities	**85,747**	114,632
Net cash from operating activities	**91,382**	234,928
Net cash (used in) from investing activities	**(196,386)**	282,447
Net cash from (used in) financing activities	**174,721**	(219,965)
Net increase in cash and cash equivalents	**69,717**	297,410

40. 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 2024 RMB'000	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 2024 RMB'000
Interest-bearing bank and other borrowings	3,283,422	183,737	–	–	–	15,578	3,482,737
Interest payable	–	(81,111)	81,111	–	–	–	–
Lease liabilities	118,271	(89,110)	6,081	72,210	(13,343)	–	94,109
Other financial liability	828,155	–	42,000	–	–	–	870,155
	4,229,848	13,516	129,192	72,210	(13,343)	15,578	4,447,001

			Non-cash changes				
	1 January 2023 RMB'000	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 2023 RMB'000
Interest-bearing bank and other borrowings	3,615,658	(338,809)	–	–	–	6,573	3,283,422
Interest payable	–	(69,466)	69,466	–	–	–	–
Lease liabilities	122,061	(96,361)	6,457	90,648	(4,534)	–	118,271
Other financial liability	786,155	–	42,000	–	–	–	828,155
	4,523,874	(504,636)	117,923	90,648	(4,534)	6,573	4,229,848

41. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Partial disposal of equity interest in a subsidiary without loss of control

北京神州數碼信息技術服務有限公司 ("DC Information Technology")

In September 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of 10% of its equity interest in DC Information Technology at a cash consideration of approximately RMB7,330,000. DC Information Technology was an indirect non-wholly owned subsidiary of the Group. The Group's interest in DC Information Technology was 36% upon the disposal, which represented the major shareholder and control two-third of seats in the board of directors of DC Information Technology.

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately RMB3,146,000 was charged to capital reserve.

(b) Deemed acquisition of additional interests in non-wholly-owned subsidiaries

During the year ended 31 December 2024, DCITS repurchased in aggregate 5,579,073 shares from the public at an aggregate consideration of approximately RMB50,249,000, represented 0.57% of DCITS's issued capital as at 31 December 2024. This resulted in an increase of the Group's equity interest in DCITS by 0.24%.

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately RMB5,960,000 was charged to capital reserve.

(c) Release of restricted shares and exercise of share options of DCITS

4,985,200 (2024: nil) share options of DCITS have been exercised during the year ended 31 December 2023. This resulted in a dilution of the Group's equity interest in DCITS by 0.21% (2024: nil) and resulted in an increase in non-controlling interests of approximately RMB32,768,000 (2024: nil) and an increase in equity attributable to owners of the parent of approximately RMB982,000 (2024: nil).

A schedule of the aggregated effect of the above deemed disposal of interest in DCITS without loss of control is as follow:

	2024	2023
	RMB'000	RMB'000
Carrying amount of non-controlling interest	–	32,768
Consideration received from non-controlling interests	–	(33,750)
	–	(982)

The transactions set out in note (b) and note (c) above resulted the change of the Group's equity interest in DCITS from 40.30% to 40.54% (2023: 40.51% to 40.30%).

(d) Others

During the year ended 31 December 2024, certain insignificant subsidiaries have been deregistered and resulted in a decrease in non-controlling interest of RMB4,019,000 (2023: RMB497,000) and net cash outflow of RMB2,030,000 (2023: RMB497,000).

42. 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 nine years (2023: 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:

	2024 **RMB'000**	2023 RMB'000
Within one year	**171,163**	220,867
In the second year	**105,498**	119,303
In the third year	**60,230**	67,610
In the fourth year	**42,372**	37,342
In the fifth year	**33,704**	29,734
After five years	**72,436**	92,269
	485,403	567,125

43. COMMITMENTS

	2024 **RMB'000**	2023 RMB'000
Contracted, but not provided for, in the consolidated financial statements:		
Land and buildings	**20,419**	3,360
Capital contributions payable to joint ventures	**68,250**	81,580
Capital contributions payable to associates	**3,510**	9,510
Capital contributions payable to financial assets at FVTOCI	**429**	429
	92,608	94,879

44. 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	2024 RMB'000	2023 RMB'000
Transactions with joint ventures			
Sales of products to joint ventures	(i)	–	364
Provision of services from joint ventures	(ii)	236	306
Interest income on loans to joint ventures	(v)	4,772	8,655
Transactions with associates			
Sales of products to associates	(i)	2,975	7,036
Purchases of products from associates	(iii)	14,001	–
Provision of services to associates	(ii)	2,379	1,785
Provision of services by associates	(ii)	438,701	360,790
Rental income from associates	(iv)	4,863	5,486
Transactions with related companies (note (vi))			
Sales of products to related companies	(i)	16,779	21,741
Provision of services to related companies	(ii)	375,082	400,013
Purchases of products from related companies	(iii)	359,592	693,643
Provision of services by related companies	(ii)	134,891	134,903
Rental income from related companies	(iv)	52,894	51,827

Notes:

(i) The sales were made with reference to the listed price and conditions offered to the major customers of the Group.

(ii) The prices for the provision of services were determined at rates mutually agreed between the Group and the corresponding related parties.

(iii) The purchases were made at prices mutually agreed between the Group and the corresponding related parties with reference to the listed price and conditions offered by the related parties to their major customers.

(iv) The rental income was determined at rates mutually agreed between the Group and the corresponding related parties with reference to the market rental.

(v) The interest income is calculated with reference to market interest rates and included in revenue from financial services business.

(vi) Digital China Group Co., Ltd. and its subsidiaries are the related companies of the Group, as Mr. GUO Wei, the Chairman and key management personnel of the Company, and Mr. GUO Wei is the substantial shareholder and director of Digital China Group Co., Ltd.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

(i) Details of the Group's accounts and bills receivables due from the joint ventures, associates and other related parties as at the end of the reporting period are included in note 29.

(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 30.

(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 33 and 34 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, and Mr. GUO Wei is the substantial shareholder and director of Digital China Group Co., Ltd.

(c) Compensation of key management personnel

The remuneration of key management personnel (executive directors and senior management) of the Company during the year was as follows:

	2024	2023
	RMB'000	RMB'000
Short term employee benefits	**9,977**	9,711
Post-employment benefits	**115**	79
	10,092	9,790

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.

45. DEFERRED INCOME AND GOVERNMENT GRANTS

	RMB'000
As at 1 January 2023	30,296
Government grants obtained	5,972
Credit to profit of loss	(16,194)
As at 31 December 2023 and 1 January 2024	**20,074**
Government grants obtained	**4,101**
Credit to profit of loss	**(8,895)**
As at 31 December 2024	**15,280**

	2024 RMB'000	2023 RMB'000
Analysed as:		
Current (note 34)	**1,517**	1,528
Non-current	**13,763**	18,546
	15,280	20,074

Government grants of approximately RMB56,235,000 (2023: RMB96,651,000) have been recognised as other income in the current year. Various government grants have been received for VAT refunds for the sale of self-developed software products approved by the tax authority in the People's Republic of China ("**PRC**"), the development of software products in Mainland China, and the investments in specific provinces in Mainland China for compensation of operating costs.

During the year ended 31 December 2024, deferred income of approximately RMB8,895,000 (2023: RMB16,194,000) 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 2024 of approximately RMB47,340,000 (2023: RMB80,457,000) represented government grants received for which there are no unfulfilled conditions and other contingencies attaching to these government assistances.

46. OTHER FINANCIAL LIABILITY

Pursuant to the capital contribution from non-controlling interest of 神旗數碼有限公司 ("**Shengqi Digital**") (formerly known as 因特睿科技有限公司) to the consolidated financial statements, a put option has been granted by 神州數碼軟件有限公司("**DC Software**") (being an indirect wholly-owned subsidiary of the Company), to the Investors.

If any of the triggering events occurs during the period when the Investors hold equity interest in Shengqi Digital and before the listing of Shengqi Digital, the Investors shall be entitled to require the Group to purchase all or part of their equity interest in Shengqi Digital at the put price before 31 March 2026:

The key triggering events include:

(i) the change of registered and tax registration address of Shengqi Digital to the Changchun Jingyue Hi-Tech Industry Development Zone not being completed within six months from the Investors' payment of the First Installment (or such later date as agreed by the Investors) due to reasons other than on the part of the Investors;

(ii) Shengqi Digital not being listed before 31 December 2025, or DC Software or the Company having expressly or by conduct abandoned the arrangements or works relating to the proposed listing of Shengqi Digital;

The Company will act as a guarantor in favour of the Investors to guarantee the performance of such repurchase obligations of DC Software under the supplemental agreement.

The put price ("**Redemption Price**") is calculated at the amount paid by the Investors under the Capital Injection plus an interest of 6% per annum less the aggregate amount actually received by the Investors from any cash dividend declared and paid by Shengqi Digital or cash indemnity paid by DC Software and/or the Company during the period when the Investors hold equity interest in Shengqi Digital.

The put option constitutes a contract that contains an obligation for the Group to purchase its own equity instruments and gives rise to a redemption financial liability recognised at the present value of the Redemption Price and subsequently measured at amortised cost.

The movements in the redemption financial liability are as follow:

	2024 **RMB'000**	2023 RMB'000
At the beginning of year	**828,155**	786,155
Interest expense	**42,000**	42,000
At the end of year	**870,155**	828,155

As none of the triggering events had occurred up to 31 December 2024, the redemption financial liability is not required to be settled before 31 December 2025 and was classified as a non-current liability as at 31 December 2024.

47. 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 2024 Direct	Percentage of equity attributable to the Company 2024 Indirectly	Percentage of equity attributable to the Company 2023 Direct	Percentage of equity attributable to the Company 2023 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
DC Cityverse Limited	Hong Kong	N/A	HK$400	**–**	**82.99**	–	82.99	Data processing and manpower outsourcing services
Shengqi Digital	PRC/Mainland China	Limited liability company	RMB120,964,997	**–**	**82.99**	–	82.99	Data integration and management software sales

47. 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 2024		Percentage of equity attributable to the Company 2023		Principal activities
				Direct	Indirectly	Direct	Indirectly	
DCITS	PRC/Mainland China	Limited liability company	RMB983,653,713	–	**40.54***	–	40.30*	Systems integration services, software development and technical services
Digital China Jinxin Technology Co., Ltd.	PRC/Mainland China	Limited holding company	RMB200,000,000	–	**40.54****	–	40.30**	Sales of financial specialised equipment
Beijing Zhongnong Xinda Information Technology Limited	PRC/Mainland China	Limited liability company	RMB100,000,000	–	**40.54****	–	40.30**	Surveying service software sales
Digital China Advanced Systems Limited	Hong Kong	N/A	HK$531,750,000	–	**40.54****	–	40.30**	Systems integration services
Nanjing Howso Technology Co., Ltd. ("**Howso Technology**")	PRC/Mainland China	Limited liability company	RMB102,340,000	–	**40.50*****	–	40.26***	Network optimisation services
北京雲核網絡技術有限公司	PRC/Mainland China	Limited liability company	RMB13,333,333	–	**40.54****	–	40.30**	Provision of cloud application system services
崑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	–	**40.54****	–	40.30**	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 40.54% (2023: 40.30%) equity interest in this company based on the factors explained in notes 4 and 39 to the consolidated financial statements. As at 31 December 2024, certain borrowings of the Group were secured by 125,353,900 (2023: 183,184,000) ordinary shares issued by DCITS with an aggregate fair value of RMB1,403,964,000 (2023: RMB2,068,147,000).

** 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.

48. 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

	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost		
Accounts and bills receivables	**3,391,269**	4,180,284
Financial assets included in prepayments, deposits and other receivables	**1,126,242**	1,018,639
Finance lease receivables	**19,418**	25,412
Restricted bank balances	**83,479**	224,774
Cash and cash equivalents	**3,142,841**	2,883,308
	7,763,249	8,332,417
Financial assets at FVTPL		
Listed equity securities	**–**	51,664
Unlisted wealth management financial products	**317,658**	268,669
	317,658	320,333
Financial assets at FVTOCI		
Unlisted equity investments designated as FVTOCI	**362,361**	721,071

Financial liabilities

	2024 RMB'000	2023 RMB'000
Financial liabilities at amortised cost		
Accounts and bills payables	**4,251,022**	3,952,012
Financial liabilities included in other payables and accruals	**970,925**	1,015,728
Interest-bearing bank and other borrowings	**3,482,737**	3,283,422
Other financial liability	**870,155**	828,155
	9,574,839	9,079,317

49. 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 2024:

	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				
– Unlisted wealth management financial products	**–**	**–**	**317,658**	**317,658**
Financial assets at FVTOCI				
– Unlisted equity investments	**–**	**–**	**362,361**	**362,361**

As at 31 December 2023:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
– Listed equity securities	51,664	–	–	51,664
– Unlisted wealth management financial products	–	–	268,669	268,669
Financial assets at FVTOCI				
– Unlisted equity investments	–	–	721,071	721,071

There were no transfers between all levels of fair values during the year ended 31 December 2024 and 2023.

The fair values of the wealth management products and unlisted equity investments were determined using the income approach or market approach and the significant unobservable inputs included discount rates, lack of marketability discount, growth rates, price to book ratio and enterprise value to sales. The lower the discount rates and the lack of marketability discount or the higher the growth rates, the price to book ratio and the enterprise value to sales, the higher the fair value.

49. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The Group engaged an external valuation specialist to perform valuation of these investments where quoted market prices are not available. The management of the Group has discussion with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Reconciliation of Level 3 fair value measurements of financial assets at FVTPL and financial assets at FVTOCI on recurring basis:

	Unlisted wealth management financial products RMB'000	Unlisted equity investments RMB'000
As at 1 January 2023	664,298	780,328
Acquisition	420,001	14,500
Redemption	(747,925)	(85,910)
Transfer from interest in an associate (note 21(i))	–	118,992
Total gains in profit or loss	(67,705)	–
Total losses in other comprehensive income	–	(107,228)
Exchange alignment	–	389
As at 31 December 2023 and 1 January 2024	**268,669**	**721,071**
Acquisition	**484,957**	**–**
Redemption	**(385,457)**	**(6,129)**
Transfer to assets classified as held for sale (note 28)	**–**	**(285,244)**
Total gains in profit or loss	**(50,511)**	**–**
Total losses in other comprehensive income	**–**	**(68,442)**
Exchange alignment	**–**	**1,105**
As at 31 December 2024	**317,658**	**362,361**

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.

50. 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 2024, the Group's interest-bearing borrowings of RMB1,963,722,000 (2023: RMB2,003,611,000) 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 2024, the Group's interest-bearing bank balances and time deposits of RMB3,138,841,000 (2023: RMB2,879,308,000) and RMB4,000,000 (2023: RMB4,000,000) bore interest at floating rates respectively.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2023: 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.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

	Increase (decrease) in basis points	(Increase) decrease in loss before tax for the year RMB'000
31 December 2024		
Borrowings with floating interest rates	**100**	**(19,637)**
Borrowings with floating interest rates	**(100)**	**19,637**

	Increase (decrease) in basis points	(Increase) decrease in loss before tax for the year RMB'000
31 December 2023		
Borrowings with floating interest rates	100	(20,036)
Borrowings with floating interest rates	(100)	20,036

Currency risk

The Group's foreign currency exposures mainly arise from net monetary liabilities in currencies other than the functional currencies of approximately RMB166,236,000 (2023: RMB102,276,000) as at 31 December 2024.

The sensitivity analysis below demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in respective functional currency exchange rates, with all other variables held constant of the Group's loss before tax. 1% (2023: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

If respective functional currency weakens/strengthens 1% against respective foreign currency and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2024 would decrease/increase by approximately RMB1,662,000 (2023: RMB1,023,000). This is mainly attributable to the Group's exposure to foreign currency on its bank balances, accounts receivables, accounts payables and bank borrowings.

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

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank balances, accounts and bills receivables, contract assets, finance lease receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For accounts and bills receivables, contract assets and finance lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables except for loan receivables with carrying amount of approximately RMB524,410,000 (2023: RMB524,410,000) in note 30(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.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2024				
	On demand or within 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Accounts and bills payables	**4,251,022**	**–**	**–**	**4,251,022**	**4,251,022**
Financial liabilities included in other payables and accruals	**970,925**	**–**	**–**	**970,925**	**970,925**
Interest-bearing bank and other borrowings	**2,013,655**	**614,875**	**1,223,201**	**3,851,731**	**3,482,737**
Other financial liability	**–**	**922,626**	**–**	**922,626**	**870,155**
	7,235,602	**1,537,501**	**1,223,201**	**9,996,304**	**9,574,839**
Lease liabilities	**63,957**	**46,722**	**–**	**110,679**	**94,109**

	2023				
	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Accounts and bills payables	3,952,012	–	–	3,952,012	3,952,012
Financial liabilities included in other payables and accruals	1,015,728	–	–	1,015,728	1,015,728
Interest-bearing bank and other borrowings	1,423,472	844,606	1,624,932	3,893,010	3,283,422
Other financial liability	–	922,626	–	922,626	828,155
	6,391,212	1,767,232	1,624,932	9,783,376	9,079,317
Lease liabilities	64,311	60,330	–	124,641	118,271

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.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2024 and 2023.

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	
	2024	2023
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**3,482,737**	3,283,422
Accounts and bills payables	**4,251,022**	3,952,012
Other payables and accruals	**1,257,244**	1,427,864
Lease liabilities	**94,109**	118,271
Less: Cash and cash equivalents	**(3,142,841)**	(2,883,308)
Less: Restricted bank balances	**(83,479)**	(224,774)
Net debt	**5,858,792**	5,673,487
Equity attributable to equity holders of the parent	**5,831,431**	6,295,367
Total capital	**5,831,431**	6,295,367
Total capital and net debt	**11,690,223**	11,968,854
Gearing ratio	**50%**	47%

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	1,823,693	1,773,725
	1,823,693	1,773,725
Current assets		
Prepayments, deposits and other receivables	20,508	271,972
Amounts due from subsidiaries	3,263,332	2,902,342
Cash and cash equivalents	6,921	2,326
	3,290,761	3,176,640
Current liabilities		
Other payables and accruals	14,449	13,742
Amounts due to subsidiaries	417,215	386,562
Dividend payable	229	213
Interest-bearing bank borrowings	347,155	195,561
	779,048	596,078
Net current assets	2,511,713	2,580,562
Total assets less current liabilities	4,335,406	4,354,287
Capital and reserves		
Issued capital	163,826	163,826
Reserves (note)	4,171,580	4,190,461
Total equity	4,335,406	4,354,287

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: Movements in reserves

	Share premium account RMB'000	Contributed surplus RMB'000	Employee share trust RMB'000	Employee share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2023	4,139,709	500,541	(826,355)	207,388	(158,176)	96,505	3,959,612
Profit and total comprehensive income for the year	–	–	–	–	–	232,518	232,518
Exchange difference arising on translation of financial statement from functional currency to presentation currency	–	–	–	–	114,969	–	114,969
Dividends paid	–	–	–	–	–	(74,414)	(74,414)
Share-based compensation	–	–	–	10,190	–	–	10,190
Contribution to employee shares trusts	–	–	(52,414)	–	–	–	(52,414)
Vesting of shares under the restricted share award scheme	–	–	10,018	(10,018)	–	–	–
At 31 December 2023 and 1 January 2024	**4,139,709**	**500,541**	**(868,751)**	**207,560**	**(43,207)**	**254,609**	**4,190,461**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(46,039)**	**(46,039)**
Exchange difference arising on translation of financial statement from functional currency to presentation currency	**–**	**–**	**–**	**–**	**123,567**	**–**	**123,567**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(95,664)**	**(95,664)**
Share-based compensation	**–**	**–**	**–**	**10,835**	**–**	**–**	**10,835**
Contribution to employee shares trusts	**–**	**–**	**(11,580)**	**–**	**–**	**–**	**(11,580)**
Vesting of shares under the restricted share award scheme	**–**	**–**	**12,118**	**(12,118)**	**–**	**–**	**–**
At 31 December 2024	**4,139,709**	**500,541**	**(868,213)**	**206,277**	**80,360**	**112,906**	**4,171,580**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus can be distributed to the shareholders, provided that the Company will be able to pay its liabilities as they fall due, and subsequent to the distribution, the aggregate amount of its total liabilities as well as the issued share capital and premium is less than the realisable value of its assets.

The employee share-based compensation reserve comprises the fair value of options or RSUs granted under the share-based incentive schemes which are yet to be exercised, as further explained in the accounting policy for employee benefits in note 3 to the consolidated financial statements.

52. CONTINGENT LIABILITIES

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

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

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

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

However, in December 2023, Yihua filed a re-application of legal action with the Shenzhen Intermediate People's Court of Guangdong Province against OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB275.3 million.

In August 2024, Yihua withdrew its claim for infringement damages against DC Jinxin and clarified that the compensation liability rests solely with OKI. DC Jinxin is only responsible for ceasing the infringement.

As at 31 December 2024, the case has not yet been adjudicated. Based on the advice from the legal advisor, no material loss will be accrued to DC Jinxin.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2024.

Particulars of Properties

Investment properties as at 31 December 2024:

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 2024 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
REVENUE	**16,657,343**	18,276,547	17,749,982	17,104,557	17,498,974
(LOSS) PROFIT BEFORE TAX	**(497,774)**	(1,639,194)	500,811	952,081	1,012,782
Income tax expense	**(65,913)**	(62,277)	(34,315)	(139,065)	(157,269)
(LOSS) PROFIT FOR THE YEAR	**(563,687)**	(1,701,471)	466,496	813,016	855,513
Attributable to:					
Equity holders of the parent	**(253,949)**	(1,833,689)	310,370	592,364	551,028
Non-controlling interests	**(309,738)**	132,218	156,126	220,652	304,485
	(565,687)	(1,701,471)	466,496	813,016	855,513

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
TOTAL ASSETS	**22,307,298**	22,799,813	24,767,761	24,451,357	23,687,228
TOTAL LIABILITIES	**12,799,844**	12,433,808	12,455,290	12,167,112	12,048,883
NON-CONTROLLING INTERESTS	**3,676,023**	4,070,638	3,950,553	3,900,760	3,671,462
	5,831,431	6,295,367	8,361,918	8,383,485	7,966,883

Company Information

BOARD OF DIRECTORS

Executive Directors

Mr. GUO Wei (Chairman and Chief Executive Officer)
Mr. LIN Yang (Vice Chairman)

Non-executive Directors

Ms. CONG Shan
Mr. LIU Jun Qiang

Independent Non-executive Directors

Dr. LIU Yun, John
Mr. KING William
Dr. GUO Song
Mr. CHAN Wai Hong, Michael
Dr. LI Jing

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
The Bank of East Asia, 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