



# CAPINFO

Capinfo Company Limited

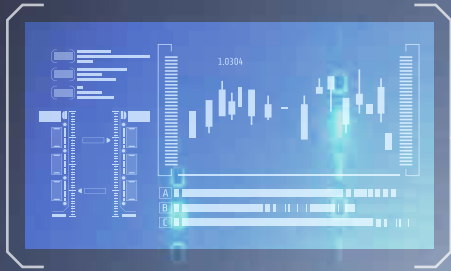
(a joint stock limited company incorporated in the People's Republic  
of China with limited liability)

(Stock Code : 1075)

Annual Report

# 2021





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# COMPANY PROFILE





## COMPANY PROFILE

Capinfo Company Limited (hereinafter referred to as “Capinfo” or “the Company”) was founded in January 1998, as the leading enterprise in the field of E-governance in Beijing. The Company was listed on the GEM of the Hong Kong Stock Exchange in 2001, and transferred its listing to the Main Board of the Hong Kong Stock Exchange (stock code: 1075) in 2011. Capinfo devotes its efforts to growing into a “leading operator of smart city and data industry”, establishing the innovative business pattern of “one core, two platforms and four sectors”, leveraging on its extensive experience in information service and abundant information resources, it has been provided continuous, reliable and stable information technology services for Beijing e-governance system, medical insurance and social security card system, housing provident fund system, air quality monitoring system, community service information system and credit settlement information systems; it has completed the construction, operation and maintenance of various major information technology application projects in Beijing and across the whole country, provide system guarantee for Beijing Olympics, APEC Summit, the “Belt and Road” Forum for International Cooperation, The National and Beijing People’s Congress of the People’s Republic of China, the 19th National Congress of the Communist Party of China, the 2018 Beijing Summit of the Forum on China-Africa Cooperation, Beijing Marathon, Conference on Dialogue of Asian Civilizations, International Horticultural Exhibition 2019, the celebration of the 70th Anniversary of the Founding of the People’s Republic of China, the celebration of the 100th Anniversary of the Communist Party, Beijing Winter Olympics, Winter Paralympic Games and other major events; actively participated in the informatization construction of the administrative office area of the Sub-center of the city, the construction of the Xiong’an New Area, and the preparation of the Winter Olympics, and established the image of a state-owned information technology enterprise that is “political, responsible and trustworthy”.

As a well-known domestic smart city service provider, Capinfo is a key software company and high-tech enterprise in the national planning and layout. It has the Certificate of Excellent Level (CS4) of Information System Construction and Service Ability, the CMMI Level 5 Certificate with the highest level of maturity of international software, a design and maintenance capability certificate for security engineering enterprises (Level 1), Information Technology Services Standard (ITSS) Level 1 Certificate with the highest standards, cloud computing service capability standard certificate. It owned Beijing Internet Multimedia Lab identified by Beijing Science and Technology Commission, Beijing Internet of Things Technology and System Engineering Technology Research Center, Beijing Engineering Laboratory for Internet Technology for Smart and Healthy Pension Industry identified by Beijing Development and Reform Commission, 4 municipal key laboratories identified Beijing Municipal Enterprise Technology Center such as Beijing Economic and Information Technology Bureau, as well as 2 municipal bases identified by the Beijing Science and Technology Commission, namely the High-end Foreign Expert International Cooperation Base and the Beijing International Science and Technology Cooperation Base for Internet Cloud Applications. The Company has also established three cutting-edge technology laboratories including AI (artificial intelligence) laboratory, big data research center, and blockchain research center.

After more than 20 years of development, Capinfo has more than 1,800 employees, 6 controlled companies, 3 joint stock companies, and 12 branches, with its business covering government, medical care, livelihood, and finance. Awarded respectively, it has won “Top 10 Leading Companies in China’s IT Services”, “The Leading Internet Brand in China”, “Preferred Service Provider in China’s Information Technology”, “Top 10 Innovative Companies in China (IT services)”, “Top 10 Integrity Brand in China (IT services)”, “The Chinese Cloud Computing Innovation Companies”, and “Top 100 Solution Providers in China”, “Chinese Government Informatization Solution Case Innovation Award”, “China IT Service Innovation Unit Award, China E-Government Outstanding Supplier”, “Beijing Science and Technology Third Prize”, “Top 100 Hong Kong Stocks in terms of Brand Value”, “Top 100 Data Intelligent Ecology”, “Top 100-Comprehensive Strength in Beijing’s Software and Information Services” and ITSS Successful Application Award” respectively and other awards and honors. It was successfully selected in the “China E-Government Yearbook”.

# FINANCIAL HIGHLIGHTS





## FINANCIAL HIGHLIGHTS

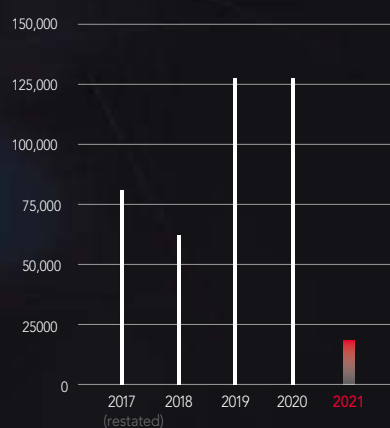
Unit: RMB'000

	2017 (Restated)	2018	2019	2020	2021
<b>During the Reporting Period</b>					
Revenue	1,008,307	1,131,507	1,331,357	1,410,565	1,426,774
Profit and total comprehensive income for the year attributable to owners of the Company	81,130	62,169	127,648	127,490	18,346
<b>Earnings per share (RMB cents)</b>					
From continuing and discontinued operations					
– Basic	2.8	2.1	4.4	4.4	0.6
<b>Dividends per share (RMB cents)</b>					
– Interim dividend	–	–	–	–	–
– Final dividend	1.25	0.97	1.98	1.98	0.29
<b>During the year</b>					
Total assets	1,967,751	2,210,348	2,314,581	2,503,124	2,378,501
Net assets	1,009,047	1,041,136	1,148,396	1,243,802	1,188,752
Current liabilities	939,069	1,161,976	1,111,478	1,206,086	1,158,524
<b>Financial Ratio</b>					
Net gearing ratio (%)	0.08	0	0	0	0
Current ratio (times)	1.49	1.47	1.56	1.60	1.61

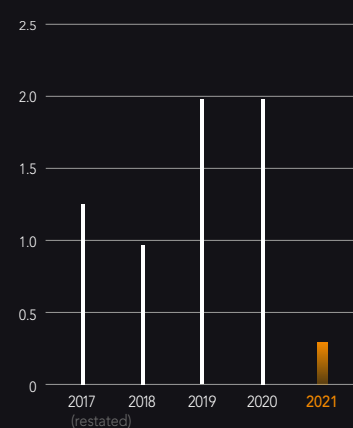
## REVENUE



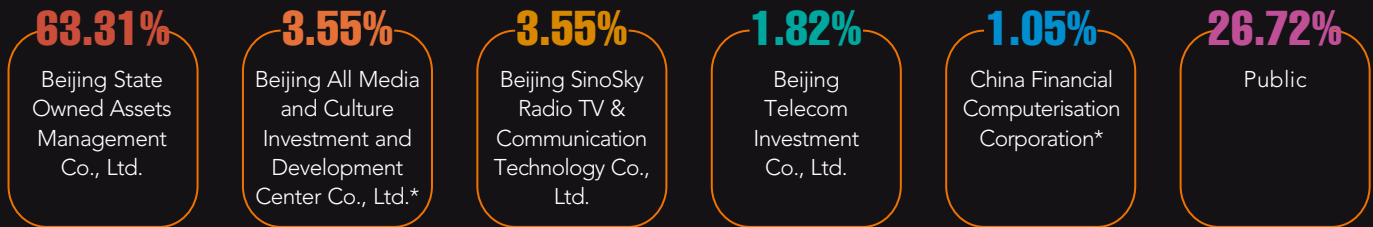
## PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY



## DIVIDENDS PER SHARE (RMB CENTS)



## SHAREHOLDING STRUCTURE



### SHAREHOLDERS

**CAPINFO**  
Capinfo Company Limited

### MAJOR COMPANIES INVESTED BY CAPINFO



Note1: Beijing All Media and Culture Investment and Development Center and China Financial Computerization Corporation were renamed as Beijing All Media and Culture Investment and Development Center Co., Ltd. and China Financial Computerization Co., Ltd. respectively due to the reform of the corporate system, and industrial and commercial registration for the aforesaid change of names was completed. As at the date of finalization of the annual report, the above companies have not yet completed the application for "change of basic information of holders" to China Securities Depository & Clearing Corporation Limited, and the "name of holders" in the register of holders of domestic shares of the Company has not been changed.

Note2: The Company's shareholding in Rito Info Technology Co., Ltd. shall be 83% according to business registration.



## CAPINFO EVENTS 2021

### January

Capinfo's government cloud platform obtained the qualification to provide cloud services for Party and government institutions

Capinfo was selected into the 2021 List of Institutions for Talent Competence Assessment in Key Fields of Industry and Information Technology by the Ministry of Industry and Information Technology of the People's Republic of China

### February

Capinfo made every effort to prepare for the Beijing Winter Olympics and Paralympics

CapCloud Technology Co., Ltd., a subsidiary of Capinfo, was certified as a "National High-tech Enterprise"

The system of "Internet + primary-level social governance" developed by Capinfo supported the 2021 elections of village and community Party organizations in Beijing

### March

Capinfo completed the big data platform building for the National Speed Skating Oval

### April

Capinfo's "Beijing 1.4G private broadband trunking network emergency communications team" was acknowledged as a municipal-level professional emergency rescue team in Beijing

Capinfo adopted new technologies to ensure the stable operation of the points-based household registration system

As the vice-chairman, Capinfo attended the 2021 Information Technology Innovation Conference and the Inaugural Meeting of the Information Technology Innovation Committee

### May

The formation of Beijing Service Alliance for Integration of Informationization and Industrialization, Capinfo initiated and served as the chairman of the special committee of smart city, and held the 2021 Smart City Summit

### June

Capinfo developed a complaint APP for Xicheng District, the first district-level mobile application for handling complaints upon receipt in Beijing

### July

Capinfo successfully guaranteed the events to celebrate the 100th anniversary of the founding of the Communist Party of China

The first 5G+ commercial street in Beijing, a 5G smart business project developed by Capinfo, passed the final inspection

Capinfo became the vice chairman of Beijing Service Alliance for Integration of Informationization and Industrialization

### August

Capinfo led the city brain pilot project of Beijing. Based on that project, it developed "Huitian Brain" for Changping District, which is "replicable, growable, and transferable", with recognition from leaders of Beijing Committee of the CPC

Capinfo became the vice chairman of Zhongguancun Digital Economic Industry Alliance

### September

Capinfo built the first district-level platform for macroeconomic analysis in Beijing

Capinfo's government cloud platform and Beijing Municipal Government cloud were certified as "Enhanced" level in the cloud security assessment by the Cyberspace Administration of China

### October

The citizen hotline 12345 upgrade project undertaken by Capinfo passed the final inspection of Beijing Citizen Hotline Service Center

Capinfo initiated the AI Branch of China Communications Industry Association and served as its vice chairman

### November

Capinfo completed the "Internet + government service" platform project of Fengtai District, the most integrated government service project at the district level in Beijing

### December

Capinfo held the kick-off meeting of the first "Training on CCSC Network Security Awareness Certification"

The website of the People's Government of Beijing Municipality developed and operated by Capinfo won the first place in 2021 evaluation of municipal government websites, and was rated excellent in terms of digital government service capability at provincial level in 2021

## CHAIRMAN'S STATEMENT

*Over the past year, through the dual engines of smart city construction and digital industry services, we made best use of the situation to build our core competitiveness and facilitate the Company's high quality development.*

### DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present to you the 2021 annual report of Capinfo Company Limited. The year 2021 is a landmark year in the history of the Communist Party and China, which held grand celebration of the 100th anniversary of the founding of the Communist Party of China and embarked a new journey towards building a modern socialist China in an all-round way and marching toward a new centennial journey. In such an extraordinary year, when faced with the intensified market competition, the Company took political construction as its guiding principle, spared no effort to accomplish various reform and development tasks, and made new achievements in the development of the Company. During the Reporting Period, the Group recorded an operating revenue of RMB1,426.77 million, representing an increase of 1.15% as compared with the corresponding period of last year; and profit attributable to owners of the Company of RMB18.35 million. Excluding the impairment on goodwill, profit attributable to owners of the Company amounted to RMB126.15 million.

**MR. YU DONGHUI**  
Party Secretary & Chairman





## CHAIRMAN'S STATEMENT

Over the past year, adhering to the Party-building-led principle in fulfilling missions, and following the standard and requirement of "pursuing further excellence and perfection", we satisfactorily completed the task of providing service support for the 100th anniversary of the Communist party, and gave full play to the 1.4GHz broadband cluster network and video dispatch system. We formulated the protection plan and emergency plan for the key projects including the Beijing Winter Olympic Games and the Winter Paralympic Games, completed the construction of base stations covering all the venues of the Winter Olympic Games, realized the dual-link access to the video conference system of the venues, and made positive contributions to ensure the "simple, safe and excellent" Winter Olympic Games.

Over the past year, we endeavored to open up new horizons in business development, made every effort to build a business pattern of "one core, two platforms and four sectors" and took full advantage of applications of technology, such as big data and artificial intelligence, as well as the operational capabilities of the "Government Network + Capinfo Cloud" platform with cloud-network integration, to fully support the comprehensive strength and core competitiveness of business development in the four sectors: smart governmental service, smart medical service, smart governance and smart enterprise. During the Reporting Period, we obtained certificates for a number of products, including "Capinfo Connect (首信通)", CAPINFO EA4.0, Internet of Things management infrastructure platform, Capinfo blockchain infrastructure support platform, Capinfo real-time synchronization system for heterogeneous data and digital Longfusi application system. We were actively engaged in research and development of a new generation of cloud-based provident fund products. We obtained the qualification of Beijing municipal government cloud service provider and the municipal SASAC supervision platform project. With unremitting efforts, we obtained the qualification of building and operating the new Beijing medical insurance platform and accomplished the switch over of 18.4 million participants' hospitals settlement business as scheduled. We planned the construction of digital Longfusi to enter the new market of digital transformation of enterprises. We actively expanded market of "credit medical care" and maintained stable business operations.

## CHAIRMAN'S STATEMENT

Over the past year, we have continued to improve our business management to facilitate steady and healthy development of the Company. The Company earnestly implemented the three-year action of state-owned enterprise reform, and strongly promoted the tenure system and contractual management of management team and middle-level cadres. We have implemented a professional market-oriented compensation system with five channels in three categories: technology, sales and management. During the Reporting Period, the Company became the president unit of the Smart City Committee of Beijing Service Alliance for Integration of Information and Industrialization, the vice chairman unit of Zhongguancun Digital Economy Industry Alliance, and the vice chairman of the AI Branch of China Communications Industry Association, and was awarded the title of "2021 Beijing Top 100 Companies with Comprehensive Strength in Software and Information Service Industry" (2021北京軟件和信息服務業綜合實力百強企業).

2022 is the year for the 20th Party Congress to be convened by the Communist Party and the Beijing Winter Olympic Games grabbing global attention, and it is also a crucial year for the Company to implement the "14th Five-Year Plan". With the strategic positioning of "providing integrated digital information infrastructure services", we will continue to promote the business pattern of "one core, two platforms and four sectors", focus on creating value for customers, stabilize the operation of major systems, consolidate the stock business, strongly develop incremental business, build the Company's marketing and technology system, optimize the management mechanism, enhance risk prevention and control capabilities, and facilitate the Company's high quality development.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the shareholders who give long-term support for the development of the Company, our dedicated staff who made contribution to our growth and people from various sectors who pay continuous attention to the development of the Company.

By Order of the Board of Directors

**Mr. YU Donghui**

*Chairman*

Beijing, the PRC

25 March 2022



## HONORS AND QUALIFICATIONS

Capinfo completed the compilation of the “White Paper on Digital Eco-city Development in Beijing” (北京市數字生態城市發展白皮書)

Capinfo won the second prize for “Outstanding Achievements in the Reform and Development of Chinese Enterprises” (中國企業改革發展優秀成果)

Capinfo was named the “Contributor to Resumption of Work and Production in China in 2020” (2020中國復工復產貢獻單位)

Capinfo became the vice chairman unit of Zhongguancun Digital Economy Industry Alliance

Capinfo was awarded the title of “2021 Beijing Top 100 Companies with Comprehensive Strength in Software and Information Service Industry” (2021北京軟件和信息服務業綜合實力百強企業)

Capinfo was shortlisted in the “2021 Directory of Talent Competency Evaluation Organizations in Key Fields of Industry and Information Technology” (2021年工業和信息化重點領域人才能力評價機構目錄) by the Ministry of Industry and Information Technology

Capinfo won the award of “GoldenBee 2020 Excellent Corporate Social Responsibility Report – Employee Responsibility Disclosure” (金蜜蜂2020優秀企業社會責任報告員工責任信息披露)

Capinfo Cloud Technology was certified as a “National High-tech Enterprise” (國家高新技術企業)

Capinfo Cloud Technology was certified as a “Zhongguancun High-tech Enterprise” (中關村高新技術企業)

Capinfo Technology was awarded the title of National Hi-tech Enterprise

Capinfo Technology was certified as a “Double Soft Enterprise” (雙軟企業)

Capinfo was listed in the “2021 Evaluation of Core Competitiveness of Beijing Software Enterprises” (2021北京軟件企業核心競爭力評價)

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

In 2021, the world experienced once-in-a-century changes and pandemic, while the Communist Party of China celebrated its 100th birthday. With the “two centenaries”, a new journey to fully build a modern socialist China was embarked. During the “14th Five-Year Plan” period, the Digital China strategy has been implemented in depth, and favourable policies ushered in a window period. The digital economy with information technology and data as the key elements has been booming, promoting the economic transformation and upgrading and high-quality development of China. Over the past year, the Company has taken political construction as its guiding principle, steadily moved forward, and adhered to the general keynote of seeking progress while maintaining stability and implemented the new development concept in a complete, accurate and comprehensive manner, took action based on the mission of “providing innovative digital services to make the city smarter and life better” and the business philosophy of “leading by Party building, prioritizing service and emphasizing efficiency”, made every effort to build a business pattern of “one core, two platforms and four sectors”, and mapped out plans for the future. During the Reporting Period, the Group achieved stable and healthy business development, and recorded an operating revenue of RMB1,426.77 million, representing an increase of 1.15% as compared with the same period of last year. Profit attributable to owners of the Company amounted to RMB18.35 million. Excluding the impairment on goodwill, profit attributable to owners of the Company amounted to RMB126.15 million.

## One Core| Adhering to the Core Concept of “Creating Value for Customers”

During the Reporting Period, the Company kept pace with the times and upgraded its product strategy. Adhering to the core concept of “creating value for customers”, the Company integrated big data, artificial intelligence, and cloud computing, etc., and combined high-quality ecological resources to create a series of products with Capinfo characteristics, laying the foundation for infrastructure of smart city construction. The Company successfully developed “Capinfo Connect (首信通)” product, which has been applied in more than 40 units in Beijing, covering over 30,000 people; continuously strengthened CAPINFO EA, Internet of Things management infrastructure platform, blockchain infrastructure support platform





## MANAGEMENT DISCUSSION AND ANALYSIS

and other independent technology platform products, and empowered 12345 hotline and integrated online government service hall intelligentization and other businesses; devoted its efforts to build a series of city brain products and brought into application in the “Huitian Brain” project in Beijing; and made constant effort to develop the heterogeneous data real-time synchronization system and digital Longfusi application system to help customers achieve digital transformation.

### Two Platforms| Capinfo Cloud Platform

Capinfo Cloud Platform has been launched nationwide, which represented giant strides in business development. The Company won the bid for the qualification of Beijing municipal government cloud service provider and the municipal SASAC supervision platform project, thereby accelerating the expansion of the business coverage; actively carried out research and development of new generation of cloud-based provident fund products, developed the enterprise cloud market, and expanded service areas such as medical insurance cloud and judicial cloud; and hosted major systems such as medical insurance and provident fund in the city, and has maintained the security of information systems of more than a hundred government departments on the cloud.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Two Platforms| Integrated Network Platform

The construction of the integrated network platform was accelerated and the dominant position in the industry was consolidated. More than 15,000 subscribers have been connected to the dedicated network for government affairs. 1.4G+350M dedicated network construction plan has been approved and has been applied in major communication security on a pilot basis. According to the construction plan of the Internet of Things, the laying of optical cables and new base stations was accelerated to achieve full coverage of the Fifth Ring District, administrative-office zone in the sub-center of the capital, the competition zones of the Winter Olympics and central urban area of outer suburbs. The Company completed the installation and configuration of the new e-government extranet of the Beijing Municipal Government, participated in the standard research of the B-TrunC broadband digital trunking communication system based on LTE technology, and pushed forward the optimization of the quality and standard of the wireless government service.

### Four Sectors| Smart Governmental Service

For “smart governmental service”, the market was expanded at a steady pace. In terms of personnel management business, the Group signed contracts for more than 40 projects with provincial ministries and commissions during the year, and major systems for household registration, talent introduction, examination services and civil servant management in Beijing ran smoothly throughout the year. In terms of the “Internet + Governmental Services” business, the Company built the “Internet + Grassroots Social Governance” system to provide support for the election of nearly 15,000 grassroots organizations, developed the “Smart + Governmental Service” application products, and won the award of “Excellent Products in the Field of E-government for Digital Government in China in 2020”; completed the all-in-one website project for Fengtai, built a 24-hour convenient self-service area, won the bid for the e-government service hall project of Xicheng District, and completed the revamp of the website of Shandong Yantai municipal government. In terms of provident fund business, the Company made good progress in national expansion, and the roadmap of smart products has been cleared. IT application innovation business maintained steady development and contracts were signed for projects in Shijingshan District, Miyun District and Changping District etc. The operation of Beijing-China Website, [www.bj148.org](http://www.bj148.org) and construction and maintenance of information technology in the sub-center of the capita were safe and stable throughout the year, and services including the single-window access and blockchain platform were upgraded constantly.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Four Sectors| Smart Medical Service

“Smart medical service” supported the construction of major livelihood projects. The Company invested in the construction of new medical insurance information platform, accomplished the switch over of 18.4 million participants’ hospital settlement business and completed three medical reforms; and major systems such as medical insurance and Beijing Hospital Medical operated safely and stably throughout the year. The Beijing-Tianjin-Hebei cross-provincial outpatient settlement was promoted across designated medical institutions, and has been opened to 149 hospitals, including Peking Union Medical College Hospital. The Company actively expanded the business of commercial insurance settlement platform and signed contracts with a total of 151 hospitals, and 65 hospitals have been connected. The Company also made active efforts to expand the market of “credit medical care” and implemented the model in Changping District and Shijingshan District, and constantly explored the “health cloud” and the medical institution information construction market.

### Four Sectors| Smart Governance

“Smart governance” showed a trend of in-depth development. Taking the opportunity of the main construction business of “Huitian” brain, the Company promoted the pilot construction of “City Brain”, and assisted in formulating the 2021 Urban Brain Application Pilot Evaluation Standards; completed the intelligentized upgrade and transformation of the 12345 hotline, and laid out a market system for the three-level users in city, district and street; developed smart building business, won the tender for the weak current project of the new campus and dormitories of Beijing Information Science & Technology University, and completed the overall upgrade project of Changping Lot No. 1; continued to serve major national and Beijing events, provided support for the celebration of the 100th anniversary of the Communist Party, and fully supported the preparation of the “Smart Winter Olympics” and the construction and long-term use of smart venues; ensured the orderly operation of the Beijing environmental protection monitoring system and the grid service platform in Dongcheng District, and continued to promote the management and construction of QR code for urban facilities; and expanded the construction achievements and service scope of the “Sharp Eyes Project”, and continued to contribute to the smart security construction.

### Four Sectors| Smart Enterprise

The pace of advancement of “smart enterprise” business accelerated. The Company won the bid for the project on investor supervision information platform of the SASAC of Beijing Municipality, completed the localized transformation of 16 systems in the enterprise cloud, and passed the initial inspection of IT application innovation project; propelled the construction of digital Longfushi and entered the new market of digital transformation of enterprises.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group Management and Control

During the Reporting Period, the Company implemented the tenure system and contractual management program for the management team and implemented a professional market-oriented compensation system with five channels in three categories: technology, sales and management, to stimulate endogenous dynamics and promote the quality development of the Company; improved the construction of mechanisms and internal control systems, established a compliance management leadership system and a management model of “three lines of defense” for compliance risk control; improved the construction of legal system of subsidiaries, promoted the evaluation of the rule of law of second-tier subsidiaries, and achieved full coverage of legal management of subsidiaries; further strengthened the management and control over legal risks of the Company, enhanced the legal audit of contracts, systems and major decisions, gave full play to the role of legal audit and gate-keeping, continuously provided legal support for key projects of the Company, made efforts to recover outstanding accounts receivable, facilitated the resolution of case disputes, actively carried out legal compliance training, and provided effective legal services for business. The Company built an integrated core control platform to accelerated business integration, enhanced risk control capabilities, created a corporate cockpit for strategic decision making, and promoted digital transformation. The Company successfully completed ISO9000, ISO14000, ISO20000, ISO27000, ISO45000, ITSS Level 1 supervision audits and standards system expansion and certification renewal, and continuously improved and optimized CMMI ML5 management capabilities. Through Capinfo Institute, pain points of the Company were identified, 102 courses in 8 categories were formulated, and 130 training sessions for 88 courses were completed, forming a long-term training mechanism for mastery of theories, experience learning, and forward-looking research.

### Looking Forward

The new global industrial revolution is advancing around the world and the national digital economy is surging. The management of the Company will make proactive efforts to serve and adapt to the new development pattern, leverage on its strengths to innovate under the new stage, new situation and new requirements of the “14th Five-Year” and the main theme of the Digital China strategy. With the vision of “being a leading smart city and data industry operator”, the Company will focus on technology research and development and operation model innovation, promote business cooperation and win-win relationship, pursue for more robust drivers, higher efficiency and better quality, enhance product innovation, business integration, data-driven operation, industry ecological impact and corporate governance capabilities, “seek change in crisis, seek innovation in change”, and cultivate new momentum for the Company’s development.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Human Resources

As of 31 December 2021, the Group had 1,812 employees (2020: 1,745 employees), including 1,456 technology and research and development employees (2020: 1,373 employees), 261 function management personnel at all levels (2020: 264 employees), 46 call center representatives (2020: 62 employees), and 49 sales staff (2020: 46 employees). Expense of the Group's employees was approximately RMB450.21 million (2020: RMB415.90 million).

### FINANCIAL REVIEW

During the Reporting Period, the Group recorded an operating revenue of RMB1,426.77 million, representing an increase of 1.15% as compared with the same period of last year. The Group recorded a gross profit of RMB509.61 million, representing an increase of 3.21% as compared with the same period of last year, and profit attributable to owners of the Company of RMB18.35 million.

Other income of the Group amounted to RMB18.15 million, representing an increase of 10.64% over the same period of last year, mainly attributable to property rental income.

The Group's gain or loss on fair value changes for the year was RMB nil, which was the same as last year. During the current year, the investment revenue amounted to RMB33.57 million, representing an increase of RMB3.91 million, which was mainly attributable to the investment revenue of RMB30.04 million from Beijing Certificate Authority Co., Ltd. and Beijing Culture & Sports Technology Co., Ltd. during the year, representing an increase of RMB7.93 million as compared the corresponding period last year, as well as revenue of RMB3.53 million recognized from purchase of structural bank deposits during the year. During the year, the impairment loss of assets amounted to RMB106.96 million, due to the impairment loss of goodwill of Xiamen Rito, and provision for impairment of goodwill of RMB107.80 million was made during the year. Credit impairment loss amounted to RMB15.34 million during the year, representing an increase of RMB5.34 million as compared with the same period of last year.

In respect of the Group's business model, business operations included software development and service, system integration, data processing service and information professional service, of which revenue from software development and service amounted to RMB624.53 million, representing an increase of 5.16% as compared with the corresponding period of last year and accounting for 43.77% (2020: 42.10%) of the total operating revenue of the Group; revenue from system integration amounted to RMB507.46 million, representing an increase of 0.68% as compared with the corresponding period of last year and accounting for 35.57% (2020: 35.73%) of the total operating revenue of the Group; revenue from data processing service amounted to RMB244.46 million, representing a decrease of 12.72% as compared with the corresponding period of last year and accounting for 17.13% (2020: 19.86%) of the total operating revenue of the Group; revenue from information professional service amounted to RMB32.18 million, representing an increase of 99.73% as compared with the corresponding period of last year and accounting for 2.26% (2020: 1.14%) of the total operating revenue of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2021, the Group had total assets amounting to RMB2,378.50 million, representing a decrease of 4.98% as compared with the corresponding period of last year. Equity attributable to shareholders of the parent company amounted to RMB1,142.22 million, representing a decrease of 3.3% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.61, which was basically the same as that of the corresponding period of last year. Gearing ratio (gearing ratio = interest-bearing debt/(interest-bearing debt + total equity)) was 8.38%. For the year ended 31 December 2021, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB1,059.77 million, representing an increase of 24.91% as compared with the corresponding period of last year.

### Equity Investments

In 2021, the Group's share of results of associates was RMB30.04 million, representing an increase of 35.89% over the corresponding period of last year.

### Income Tax

According to the Notice on the Requirements for the Preparation of List of Integrated Circuit Enterprises or Projects and Software Enterprises Eligible for Preferential Tax Policies (Fa Gai Gao Ji [2021] No. 413), upon review, the Company was included in the list of preferential income tax treatment and entitled to the preferential tax treatment. The Enterprise income tax of the Company was imposed at a reduced rate of 10%. During the year, the income tax expenses amounted to RMB15.78 million, representing a decrease of RMB1.84 million as compared with the corresponding period of last year.

## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Yu Donghui**  
Executive Director

### Executive Directors

Mr. Yu Donghui (Party Secretary and Chairman), aged 49, was appointed as executive Director in January 2017 and was elected as the Chairman on 10 September 2021. He currently serves as the Party Secretary and Chairman of the Company, and is also the Chairman of the Strategy Committee, Nomination Committee and Rule of Law and Compliance Committee, and is responsible for leading the Board of Directors and ensuring effective operation of the Board of Directors in the overall interest of the Company. Mr. Yu graduated from Tsinghua University in 1999 with a master degree in materials processing engineering and joined the Company in the same year. He previously served as general manager of the network technology service center, business director, deputy general manager and general manager of the Company with extensive experience in enterprise and technique management.



**Zhang Yiqian**  
Executive Director

Mr. Zhang Yiqian, (Deputy Party Secretary and General Manager), aged 43, was appointed as executive Director in October 2021. He currently serves as the Deputy Party Secretary and general manager of the Company, and is a member of the Strategy Committee and an executive director of Capinfo Medical United Information Technology Company Limited, a subsidiary, responsible for the overall operation and management, the implementation of the policies and operation objectives established by the Board of Directors. Mr. Zhang graduated from Beihang University with major in software engineering and obtained a master's degree in engineering. He previously acted as sales representative of Capinfo Company Limited, deputy general manager and general manager of services department in Beijing, director of customer center, director of sales center, company director and deputy general manager of Beijing Certificate Authority Co., Ltd..



## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Zong Zhaoxing**  
Executive Director

**Mr. Zong Zhaoxing** (Deputy Party Secretary), aged 57, was appointed as executive Director in June 2018 and appointed as member of the Rule of Law and Compliance Committee in February 2021. He currently serves as the Deputy Party Secretary of the Company, and an executive director of Beijing Parking Management Centre Co., Ltd, a wholly-owned subsidiary, in charge of the daily work of the party establishment and the development of the trade union and the Communist Youth League and human resources management of the Company. Before joining the Company, Mr. Zong was a technician and the deputy factory director of the branch chemical factory of Beijing Woodworking Factory of BBMG, the assistant factory manager and the office director of Beijing Woodworking Factory, the division head of the organization office of CPC Committee of BBMG, the general manager assistant of Beijing Jinhuyuan Property Management Co., Ltd. under BBMG, the deputy general manager of Beijing Boshu Industry and Trade Co., Ltd. under BBMG, a party committee member, the deputy chairman of labour union and the director of Party-masses Work Department of Beijing Science and Technology Park Construction (Group) Co. Ltd. Mr. Zong graduated from Northeast Forestry University with a bachelor degree in chemical engineering in 1986.



**Yan Yi**  
Non-Executive Director

### Non-executive Directors

**Ms. Yan Yi**, aged 36, an economist with postgraduate qualification, was appointed as non-executive Director in June 2021 and serves as a member of the Remuneration and Appraisal Committee. She is currently the senior project manager of the urban function and social investment department of BSAM. She previously served as the business analyst of MWH (UK), the product manager of GE Medical System Co., Ltd., the project manager and senior project manager of the urban function and social investment department and the senior manager of the human resources department of BSAM, and the vice president of Beijing Yingzhi Rehabilitation Hospital Co., Ltd. Ms. Yan graduated from the school of management of Huazhong University of Science and Technology in June 2006 where she received a bachelor's degree in information management and information system, and graduated from the University of Sheffield in September 2007 where she received a master's degree in information management, and obtained a master's degree in business administration from the Chinese University of Hong Kong in November 2020.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Zhou Weihua**  
Non-Executive Director

Mr. Zhou Weihua, aged 60, a professional senior engineer, was appointed as non-executive Director since June 2015. He is currently the chairman and general manager of Beijing Sino-Sky Radio TV & Communication Technology Co. Ltd., the sponsor shareholder of the Company and had served as the director and deputy chief engineer of the Research Department in Aerial Design of the Radio, Film & TV Design and Research Institute and engaged in development, design and management of antenna of radio and television communications for many years. He graduated from the Department of Space Physics of Wuhan University with a Bachelor of Science degree in Physics in July 1984 and graduated from Peking University Guanghua School of Management in July 2005 where he received a management master's degree.



**Shan Yuhu**  
Non-Executive Director

Mr. Shan Yuhu, aged 60, senior accountant, was appointed as non-executive Director since June 2015. He is currently the general manager and director of Beijing Telecom Investment Co., Ltd., the sponsor shareholder of the Company and had served as the head of Financial Department of the Beijing Telegraph Bureau (北京電報局財務科), head of the Financial Department of the Beijing Long Distance Telephone Bureau (北京長途電話局財務處), the chief accountant of Beijing Suburban Telecommunication Bureau (北京市郊區電信局) and deputy general manager of the Financial Department of China Unicom, Beijing branch.

## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Liang Yi**

Non-Executive Director

Ms. Liang Yi, aged 44, was appointed as non-executive Director in June 2021. Ms. Liang currently serves as deputy director of the investment and finance department of Beijing Gehua Media Group. She previously served as a cadre in operation and management department of Beijing Media Network and deputy general manager of Beijing All Media Digital Television Company. Ms. Liang graduated from the Capital University of Economics and Business with a master's degree in management.



**Feng Jianxun**

Non-Executive Director

Mr. Feng Jianxun, aged 50, with a master degree in management, and a senior engineer. Mr. Feng was appointed as non-executive Director in June 2018. He currently serves as the deputy office director and senior business executive of China Financial Computerization Corporation. Mr. Feng graduated from School of Finance and Economics of Xi'an Jiaotong University in July 2001 with a master degree.



**Gong Zhiqiang**

Independent Director

### Independent Directors

Mr. Gong Zhiqiang, aged 50, was appointed as independent non-executive Director since June 2009 and is also the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee, Nomination Committee and Rule of Law and Compliance Committee. Mr. Gong is currently a managing partner of Beijing S&P Law Firm. Mr. Gong previously worked in the Intermediate People's Court of Handan Municipality, Hebei Province and Beijing Hylands Law Firm. He has extensive experience in control of corporate legal risks. Mr. Gong graduated from Hebei University with a master degree in laws in 1995.



## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Cheung, Wai Hung Boswell**  
Independent Director

Mr. Cheung, Wai Hung Boswell, aged 51, was appointed as an independent non-executive Director in June 2015, and is a member of the Audit Committee and Nomination Committee of the Company. Mr. Cheung currently serves as Chief Financial Officer and Company Secretary of Far East Consortium International Limited (a company listed on the Hong Kong Stock Exchange), and is responsible for group financial management, investor and bank relations and company secretarial matters. He is also an audit committee member of AGORA Hospitality Group Co., Ltd. (a company listed on the Tokyo Stock Exchange). Mr. Cheung graduated in Scotland with a bachelor degree of arts in accountancy in 1992, and obtained an MBA degree from the University of Leicester, UK in 1995 and a master's degree in professional accounting in 2007. Mr. Cheung is a non-practicing member of the Hong Kong Institute of Certified Public Accountants and a qualified accountant of CPA Australia.



**Yang Xiaohui**  
Independent Director

Mr. Yang Xiaohui, aged 54, is a senior accountant, certified public accountant, certified tax agent, and certified public valuer (non-practicing member), appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee in November 2016. He is now the partner of ShineWing Certified Public Accountants. Mr. Yang once served as independent non-executive director of Beijing Jingcheng Machinery Electric Company Limited, a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. He was a teacher of North China University of Technology, department manager of Zhonghengxin Certified Public Accountants, partner of RSM China Certified Public Accountants. He has extensive experience in auditing and financial management. Mr. Yang graduated from North China University of Technology and obtained a bachelor's degree in Accountancy in 1991.



**Su Zhongxing**  
Independent Director

Mr. Su Zhongxing, aged 44, was appointed as independent non-executive Director and member of the Audit Committee and the Strategy Committee in June 2021. He is currently a professor, doctoral supervisor and department head of human resources management department of Renmin University of China. He served as lecturer, associate professor of human resources management department of Renmin University of China, visiting scholar of Harvard University. Mr. Su graduated from Renmin University of China with a doctor's degree in labour economics in 2008.

## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Yu Nan**  
Supervisor

### Supervisors

**Ms. Yu Nan**, aged 39, was appointed as Supervisor representing the shareholders in June 2021 and was elected as the Chairman to the Board of Supervisors by the Supervisors. Ms. Yu currently serves as the manager of the audit department of BSAM. She previously served as the clerk, deputy clerk officer, clerk officer and deputy head of Beijing Municipal Local Taxation Bureau, and served as the deputy general manager of the audit department of BSAM, the secretary of the Discipline Committee and a party committee member of Beijing CHJ-Care Investment Co., Ltd. Ms. Yu graduated from the school of accounting of North China University of Technology in 2003 where she received a bachelor's degree in economics, and graduated from Renmin University of China in 2014 where she received a master's degree in economics.



**Ma Xiaoping**  
Supervisor

**Ms. Ma Xiaoping**, aged 35, was appointed as Supervisor representing the Shareholders in June 2021. Ms. Ma currently serves as the senior manager of the legal and compliance department of BSAM. She previously served as the trainee clerk, clerk and assistant judge of the administrative court of No. 1 Intermediate People's Court of Beijing Municipality, and the legal manager of the judicial and legal compliance department of BSAM. Ms. Ma graduated from the school of criminal justice of China University of Political Science and Law in July 2009 where she received a bachelor's degree in law, and graduated from the school of law of China University of Political Science and Law in July 2012 where she received a master's degree in constitution and administrative law.



**Zhu Chenlan**  
Supervisor

**Ms. Zhu Chenlan**, aged 40, was elected as the Supervisor representing staff in May 2021. She currently serves as manager of the planning management department of the Company. She served as comprehensive data analyst, senior manager of operation and risk management and senior manager of budget and operation performance management of Bank of Communication Co., Ltd., Beijing branch, and deputy manager of the Planning Management Department of the Company. Ms. Zhu graduated from Beijing Normal University with a master's degree in economics in July 2007.

## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Lu Lei**  
Senior Management

### Senior Management

Mr. Lu Lei, aged 42, joined the Company in June 2014 and was appointed as joint company secretary in December 2017. He is currently the vice general manager of the Company, and concurrently serves as the secretary of the Board, and a director of Capnet Company Limited. He is responsible for equity investment and management, information disclosure, maintaining investor's relationship, and other related works. Before joining the Company, Mr. Lu worked as planning manager of Beida Jade Bird Huayu International Information Technology Training Centre, project manager of Beijing Dayue Consulting Co., Ltd. and senior project manager of the Investment Department of technology and modern manufacturing industry investment division of BSAM. Mr. Lu received a bachelor degree in mathematics and applied mathematics from Fudan University in 2003, and master degree of the Business School of Nankai University in 2016.



**Xia Xiaoqing**  
Senior Management

Mr. Xia Xiaoqing, aged 56, joined the Company in March 2018. He is currently the vice general manager of the Company and the chairman of Capinfo Technology Development Co., Ltd., a subsidiary, and the chairman of Capnet. Before joining the company, Mr. Xia served as deputy manager and manager of the Information Department of China Nuclear Energy Technology Co., Ltd., deputy general manager, deputy secretary of the party committee and general manager of Huahui Information Technology Co., Ltd., and Chairman of China Nuclear Energy Hongsheng Co., Ltd. Mr. Xia graduated from the Missile College of Air Force Engineering University in 1994 with a master's degree in computer application. In 2006, he graduated from Northwest Polytechnic University with a doctor's degree in computer application.



## PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



**Wang Liang**  
Senior Management

Mr. Wang Liang, aged 34, joined the Company in February 2018 and is currently the deputy general manager of the Company, the chairman of Capinfo Cloud Technology Co., Ltd., a subsidiary, and a director of Beijing Certificate Authority Co., Ltd., a participating company. Prior to joining the Company, Mr. Wang served as secretary of the league branch and head of the organization section of Beijing Haohua Energy Resource Co., Ltd., head of the disciplinary committee of Beijing Jingmei Group Co. Ltd., manager of disciplinary supervision of Zhongrong International Trust Co. Ltd., Mr. Wang graduated from Heilongjiang University of Science and Technology, majoring in business administration, and obtained a master's degree in management.



**Du Xiaoling**  
Senior Management

Ms. Du Xiaoling, aged 41, accountant, international accountant, senior management accountant, joined the Company in May 2018 and is currently the deputy general manager of the Company. She also serves as the Chief Financial Officer of the Company, the Chairman of the Labor Union, and an executive director of Capinfo (Hong Kong) Co., Ltd., a subsidiary, director of Rito Info Technology Co. Ltd., a subsidiary, director of Beijing Culture and Sports Technology Co., Ltd., a participating company, and supervisor of Beijing Certificate Authority Co., Ltd. Prior to joining the Company, Ms. Du held financial management-related positions in China Construction First Engineering Bureau Third Construction Co., Ltd., Space Science and Application Research Center of Chinese Academy of Sciences and Institute of Microelectronics of Chinese Academy of Sciences. Ms. Du graduated from Southwest China Normal University with a bachelor's degree in accounting and received a bachelor's degree in management.



**Wu Ning**  
Senior Management

Mr. Wu Ning, aged 40, joined the Company in June 2020. He is currently the general counsel of the Company and a director of Rito Info Technology Co. Ltd., a subsidiary. Prior to joining the Company, Mr. Wu held relevant positions in the People's Court of Beijing Dongcheng District, the Asset Management Department and the Legal Department of COFCO Corporation, and the Compliance and Legal Affairs Department of COFCO Futures Co., Ltd. Mr. Wu graduated from the Law School of Renmin University of China, majoring in civil and commercial law, and obtained a master's degree in law.

## **DIRECTORS' REPORT**

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

### **PRINCIPAL ACTIVITIES**

The Group is an information technologies and services supplier. Its businesses mainly include software development and service, system integration, data processing service and information professional service. Leveraging on its comprehensive experience and abundant information resources, the Group participated in the construction, operation and maintenance of large scale information application projects in Beijing and other regions across the country, and has established a widespread and exclusive IT service network over many years.

### **BUSINESS REVIEW**

A discussion on the business development and prospect of the Group during the Year are provided in the "Chairman's Statement" on pages 8 to 10 and "Management Discussion and Analysis" on pages 12 to 18 of this annual report respectively. A description of the major risks factors and uncertainties that the Group may be facing and the financial risk management objectives and policies are provided in note VIII to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided on page 5 of "Financial Highlights" of this annual report. In addition, compliance with relevant laws and regulations which have a significant impact on the Group and the relationships with its stakeholders are contained on pages 52 to 82 of "Corporate Governance Report" and pages 83 to 92 of "Investors Relations" of this annual report respectively. The Group acts in a manner responsible for the environment, trying to comply with laws and regulations concerning environmental protection, and take effective measures to achieve efficient use of resources, energy conservation and waste reduction. Further details will be disclosed in the Environmental, Social and Governance Report of 2021 of the Company.

### **RESULTS AND DIVIDEND APPROPRIATION**

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Income Statement on page 103 of this annual report.

The Directors recommend the payment of a final dividend of RMB0.29 cents (2020: RMB1.98 cents) per share with the dividend payment amount totalling RMB8.40 million in respect of the year ended 31 December 2021 (2020: RMB57.38 million). During the Reporting Period, the Directors did not recommend the payment of any interim dividend (2020: Nil).

## *DIRECTORS' REPORT*

### **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the Year are set out in note V.30 to the consolidated financial statements on page 199 of this annual report.

### **FINANCIAL HIGHLIGHTS**

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2021 and the past four financial years is set out in "Financial Highlights" on page 5 of this annual report.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in the property, plant and equipment acquired by the Group during the Reporting Period are set out in note V.15 to the financial statements on page 187 of this annual report.

### **INVESTMENT PROPERTY**

The investment property owned by the Group is situated at No. 12 Beichen West Road, Chaoyang District, Beijing, which is the office property on the fifth and sixth floor of Block A of Digital Beijing Building, with a gross floor area of approximately 5,386 sq.m. The property is currently leased out. Pursuant to the committed tenancy agreement, for the period from 20 April 2020 to 19 April 2022, the leased area is 5,386 sq.m. Details of the movements of the investment property of the Group during the Reporting Period are set out in note V.14 to the consolidated financial statements on page 186 of this annual report.

### **SHARE OPTIONS**

Up to the date of this report, no share option scheme is implemented by the Company.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association.



## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company and its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into at the end of the year or during the year.

### MEMBERS OF THE BOARD

The following persons are Directors during the year and up to the date of this report:

#### Executive Directors

Mr. Yu Donghui<sup>1</sup> (*Party Secretary and Chairman*)  
Mr. Zhang Yiqian<sup>2</sup> (*Deputy Party Secretary and General Manager*) (*appointed on 11 October 2021*)  
Mr. Zong Zhaoxing (*Deputy Party Secretary*)  
Ms. Lin Yankun<sup>3</sup> (*resigned on 10 September 2021*)

#### Non-executive Directors

Ms. Yan Yi (*appointed on 18 June 2021*)  
Ms. Liang Yi (*appointed on 18 June 2021*)  
Mr. Zhou Weihua  
Mr. Shan Yuhu  
Mr. Feng Jianxun  
Mr. Hu Yong (*resigned on 18 June 2021*)  
Mr. Ma Linxiang (*resigned on 18 June 2021*)

#### Independent Non-executive Directors

Mr. Yang Xiaohui  
Mr. Gong Zhiqiang  
Mr. Cheung, Wai Hung Boswell  
Mr. Su Zhongxing (*appointed on 18 June 2021*)  
Mr. Li He (*resigned on 18 June 2021*)

## DIRECTORS' REPORT

The Company has received from each of independent non-executive directors of their "annual confirmation" in relation to their independence in accordance with Rule 3.13 of the Listing Rules, and considered that each of them is independent.

- 1 Mr. Yu Donghui was appointed as the Party Secretary on 12 August 2021 and appointed as the Chairman on 10 September 2021.
- 2 Mr. Zhang Yiqian was appointed as the Deputy Party Secretary on 12 August 2021, appointed as general manager on 10 September 2021 and appointed as an executive Director on 11 October 2021.
- 3 Ms. Lin Yankun resigned as the Party Secretary on 12 August 2021 and resigned as the Chairman on 10 September 2021.

### INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as at 31 December 2021, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred in Appendix 10 of the Listing Rules.

Long positions held in the issued A shares of Beijing Certificate Authority Co., Ltd., an associated corporation of the Company:

Name of Director	Number of shares	Nature of interests	Approximate percentage to the issued A shares
Mr. Zhang Yiqian	298,268	Beneficial owner	0.17%

### DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed, no transactions, arrangements or contracts of significance to which the Company and its parent company, its subsidiaries, or fellow subsidiaries was a party or were parties and in which a Director or supervisor or any entities connected with him/her had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

During the Reporting Period, the Group did not purchase, sell or redeem any of the Company's listed securities.

**INTEREST OF SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2021:

Name of controlling shareholder	Number of shares	Nature of interests	Approximate percentage to the issued share capital
Beijing State-owned Assets Management Co., Ltd.	1,834,541,756	domestic shares	Beneficial owner
			63.31%

**MAJOR SUPPLIERS AND CUSTOMERS**

During the Reporting Period, the aggregate purchases attributable to the Group's 5 largest suppliers accounted for less than 30% of the Group's total purchases. The aggregate revenue attributable to the Group's 5 largest customers accounted for approximately 25.10% of the Group's total revenue, among which, the largest customer attributed approximately 11.84% of the Group's total revenue.

None of the Directors, their close associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's 5 largest suppliers or 5 largest customers.

**COMPETING INTERESTS**

None of the Directors or the management shareholders (as defined in the Listing Rules) of the Company and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

## DIRECTORS' REPORT

### MATERIAL LITIGATION AND ARBITRATION

Save as disclosed below, the Group was not involved in any material litigation or arbitration. Besides, to the best knowledge of the management of the Company, the Group had no material litigation or claim which was pending or threatened by or against the Group.

On 24 August 2018, the Company announced that, on the ground of suspected contract fraud by the former shareholders of an acquired company, Rito Info, in order to protect the interest of the Company's shareholders, the Company reported the case to the Haidian Branch of the Beijing Public Security Bureau on 5 June 2018. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. As of the date of approval of the report, the case is still under investigation.

On 19 July 2019, the Company announced that, the Company received a summons and a notice of participation to action issued by the Xiamen Intermediate People's Court of Fujian Province (福建省廈門市中級人民法院) ("Xiamen Intermediate People's Court"), stating that Xiamen Ruitailong Investment Development Company Limited (廈門銳泰隆投資發展有限公司) ("Xiamen Ruitailong"), requested the Xiamen Intermediate People's Court to order the Company to immediately pay it the consideration of RMB21,207,560, interest accrued thereon for the period of late payment, which should be calculated based on the lending interest rate as published by the People's Bank of China prevailing over the same period commencing from 1 September 2017 and up to the date of full settlement, and the case acceptance fee. The Xiamen Intermediate People's Court rejected the lawsuit brought by the plaintiff, Xiamen Ruitailong, on 26 March 2020. Xiamen Ruitailong refused to accept the first instance ruling of the Xiamen Intermediate People's Court and appealed to the Fujian Provincial People's High Court\* (福建省高級人民法院) on 17 April 2020. At the second instance, Fujian Provincial People's High Court ruled that the appeal lodged by Xiamen Ruitailong be dismissed and the original ruling be upheld. On 17 September 2020, an announcement was published by the Company in this regard. Subsequently, Xiamen Ruitailong refused to accept the second instance ruling of the Fujian Provincial People's High Court and filed an application for retrial to the Supreme People's Court, which accepted the application. As of the date of approval of the report, the Supreme People's Court ruled to reject Xiamen Ruitailong's application for retrial. The case has been closed.



## DIRECTORS' REPORT

On 23 August 2019, on the ground of suspected contract fraud by the former shareholders of Rito Info, in order to protect the interest of the Company and its shareholders, a legal proceeding had been instituted by the Company to, and was accepted by, Beijing No. 1 Intermediate People's Court, regarding the request for the revocation of the Share Transfer Agreement entered into between the Company and the former shareholders of Rito Info, on 21 July 2014. As the defendant brought a jurisdiction objection, the Beijing First Intermediate People's Court (北京市第一中級人民法院) ruled that the case was transferred to the Xiamen Intermediate People's Court. In response to the ruling, the Company filed an appeal to the Beijing High People's Court (北京市高級人民法院). The Beijing High People's Court issued a final judgment for the second trial on the appeal filed by the Company: the civil ruling of the Beijing First Intermediate People's Court was revoked and the case was heard by the Beijing First Intermediate People's Court. On 19 July 2021, Beijing First Intermediate People's Court ruled to reject the Company's suit. Thereafter, the Company has filed an appeal with the Beijing High People's Court. On 25 October 2021, at the second instance, the Beijing High People's Court ruled that the appeal be dismissed and the original ruling be upheld.

### PERMITTED INDEMNITY PROVISION

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

## DIRECTORS' REPORT

### CONNECTED TRANSACTIONS

The Company formulated Management System of Information Disclosure and Management System of Inside Information and Insiders, to regulate and enhance management over connected transactions. Led by the Board Secretary and the Company Secretary, the Board's office of the Company is responsible for daily reporting and reviewing of connected transactions. Continuing connected transactions occurred during the Reporting Period are set out as follows:

#### Continuing connected transactions exempted from independent shareholders' approval

Unit: RMB million

No.	Matter	Counterparty	Type	Annual Cap	Annual transaction amount
1	Provision of network system and relevant operation and maintenance services	Capnet Company Limited	Income	11.30	9.90
2	Provision of network system and relevant operation and maintenance services	Beijing Certificate Authority Co., Ltd.	Income	10.00	0.31
3	Purchase of network security system and services	Beijing State-owned Assets Management Co., Ltd.	Expense	15.00	5.84
4	Provision of network system and relevant operation and maintenance services	Beijing State-owned Assets Management Co., Ltd.	Income	40.00	3.07
5	Purchase of network security system and services	Beijing State-owned Assets Management Co., Ltd.	Expense	16.00	0
6	Lease of office premises and purchase of property services	Beijing Xinlongfu Culture Investment Co., Ltd.	Expense	9.00	7.52
		Beijing Xinlongfu Property Management Co., Ltd.	Expense	0.67	0.93*
7	Purchase of internet access services	Capnet Company Limited	Expense	6.60	6.60

\* On 26 May 2021, the Company entered into a property service agreement with Beijing Xinlongfu Property Management Co., Ltd.\* (北京新隆福物業管理有限公司), and the annual cap from 1 June 2021 to 31 December 2021 approved by the Board was RMB670,000.00. The approval for the annual cap for the period from 1 January 2021 to 31 May 2021 was disclosed in the announcement of the Company dated 24 November 2017. Therefore, the property management fee (expense) under the property service agreement entered into between the Company and Beijing Xinlongfu Property Management Co., Ltd. did not exceed the cap.

## DIRECTORS' REPORT

### (I) *Continuing connected transaction for provision of the network system operation and relevant maintenance services*

#### 1. Continuing Connected Transactions between Capinfo Technology and Capnet

With the approval at the fifth meeting of the seventh session of the Board, Capinfo Technology renewed the Network System Services Agreement with Capnet on 9 January 2019, pursuant to which, Capinfo Technology provided Capnet with the network system operation and maintenance and services. The term of the agreement was extended to 31 December 2021. The Board approved that the annual caps for each year of 2019 to 2021 was RMB6.3 million. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

**Connected relationship:** Capinfo Technology is a subsidiary of the Company with 71.24% of equity interests. Capnet is a subsidiary of BSAM with 95% of equity interests, and BSAM is the controlling shareholder of the Company.

**Transaction background:** Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name register, virtual space, web design and emails etc. In order to ensure to provide stable, safe and efficient services to its clients, Capnet engaged Capinfo Technology to build relevant network system and provide maintenance services for it.

**Voting:** None of the Directors (including the Independent Non-executive Directors) had any material interests in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the Board resolution date, the directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.

## DIRECTORS' REPORT

### 2. Continuing Connected Transactions between the Company and Capnet

With the approval at the fifth meeting of the seventh session of the Board, the Company entered into the Network System Service Agreement with Capnet on 9 January 2019, to provide internet equipment leasing and system maintenance service to Capnet, with an agreed term expired on 31 December 2021, the annual transaction caps approved by the Board for the year 2019 to 2021 was RMB5.0 million. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

**Connected relationship:** Capnet is a subsidiary with 95% of equity interests controlled by BSAM, the controlling shareholder of the Company.

**Transaction background:** Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name register, virtual space, web design and emails etc. In order to ensure the stability of the system, Capnet leased our internet equipment and engaged the Company to provide maintenance services for it.

**Voting:** None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the Board resolution date, the Directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.



## DIRECTORS' REPORT

### 3. Consolidation

According to relevant regulations under the Listing Rules, continuing connected transactions between the Company and Capinfo Technology and Capnet shall be calculated on a consolidation basis. As approved at the fifth meeting of the seventh session of the Board held by the Company, the annual transaction caps for 2019 to 2021 after consolidation both should be RMB11.3 million.

#### *(II) Continuing connected transaction for provision of the network system operation and relevant maintenance services*

With the approval at the 15th meeting of the seventh session of the Board, on 17 January 2020, the Company and BJCA renewed the Technical Services Framework Agreement, pursuant to which, BJCA and its subsidiaries will be re-engaged to assist the Company and its subsidiaries in developing network security system and products and to provide related technical services, and the Company and its subsidiaries will provide related technical services and products to BJCA and its subsidiaries, with a term expiring on 31 December 2022. The Board approved, for each of the years from 2020 to 2022, the annual cap for the connected transaction where the Company and its subsidiaries provide related technical services and products to BJCA and its subsidiaries to be RMB10.0 million. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

<b>Connected relationship:</b>	The Company and its controlling shareholder BSAM held approximately 26.24% and 26.24% interests in BJCA, respectively.
<b>Transaction background:</b>	BJCA is principally engaged in the electronic certification business and technology development and related services in respect of information security, having obtained an outstanding business scale in the industry. To ensure the provision of a more stable, secure and efficient services for their clients, the Company is engaged to provide network technical services and products.
<b>Voting:</b>	None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective Board resolution dates, the Directors who are employees of BSAM, a related party, had abstained from voting on the resolution.

## DIRECTORS' REPORT

### *(III) Continuing connected transaction for purchase of network security system and services*

With the approval at the 15th meeting of the seventh session of the Board, on 17 January 2020, the Company and BJCA renewed the Technique Services Framework Agreement, pursuant to which, BJCA and its subsidiaries will be re-engaged to assist the Company and its subsidiaries in developing network security system and products and to provide related technical services, and the Company and its subsidiaries will provide related technical services and products to BJCA and its subsidiaries, with a term expiring on 31 December 2022. The Board approved, for each of the years from 2020 to 2022, the annual cap for the connected transaction where BJCA and its subsidiaries provide network security system and services to the Company and its subsidiaries to be RMB15.0 million respectively. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

<b>Connected relationship:</b>	The Company and its controlling shareholder BSAM held approximately 26.24% and 26.24% interests in BJCA, respectively
<b>Transaction background:</b>	BJCA is principally engaged in the electronic certification business and technology development and related services in respect of information security, having obtained an outstanding business services scale in the industry. Currently, along with the upgrading of information security and the higher demand of the clients for system security, the Company re-engaged BJCA to assist in developing network security system and products and to provide related technical services to ensure our network systems run safely and stably.
<b>Voting:</b>	None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective Board resolution dates, the Directors who are employees of BSAM, the related party, had abstained from voting on the resolution.

*DIRECTORS' REPORT****(IV) Continuing connected transaction for provision of the network system and relevant operation and maintenance services***

With the approval at the 22nd meeting of the seventh session of the Board, on 9 September 2020, the Company and BSAM entered into the Technique Services Framework Agreement, pursuant to which, it was agreed that BSAM and its subsidiaries will provide services on electronic certification services, electronic certification products and information security services, and related security products, network security system development, operation and maintenance and other technical outsourcing services to the Company and its subsidiaries, and the Company and its subsidiaries will provide services on software development, network system establishment and service, network design, website intensification, system integration, technical operation and maintenance, technical consultancy, cloud services, cloud products, wireless products and related information technology services and products to BSAM and its subsidiaries, with a term expiring on 31 December 2022. The Board approved, for each of the years from 2020 to 2022, and the connected transaction where Company and its subsidiaries provide related technical services and products to BSAM and its subsidiaries to be RMB30.0 million, RMB40.0 million and RMB40.0 million respectively. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

<b>Connected relationship:</b>	BSAM is the controlling shareholder of the Company, holding approximately 63.31% of the issued share capital of the Company.
<b>Transaction background:</b>	BSAM, as the implementer and operator of major projects in Beijing, focuses its business operations in financial services, high-tech and modern manufacturing, culture and creativity, urban functionality area development, environmental protection and new energies. In order to ensure to provide stable, safe and efficient services to its clients, BSAM engaged the Company to provide related technical services and products for it.
<b>Voting:</b>	None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective Board resolution dates, the Directors who are employees of BSAM, the related party, had abstained from voting on the resolution.

## DIRECTORS' REPORT

### (V) Continuing connected transaction for purchase of network security system and services

With the approval at the 22nd meeting of the seventh session of the Board, on 9 September 2020, the Company and BSAM entered into the Technique Services Framework Agreement, pursuant to which, it was agreed that BSAM and its subsidiaries will provide services on electronic certification services, electronic certification products and information security services, and related security products, network security system development, operation and maintenance and other technical outsourcing services to the Company and its subsidiaries, and the Company and its subsidiaries will provide services on software development, network system establishment and service, network design, website intensification, system integration, technical operation and maintenance, technical consultancy, cloud services, cloud products, wireless products and related information technology services and products to BSAM and its subsidiaries, with a term expiring on 31 December 2022. The Board approved, for each of the years from 2020 to 2022, the connected transaction where BSAM and its subsidiaries provide related technical services and products to the Company and its subsidiaries to be RMB12.0 million, RMB16.0 million and RMB16.0 million respectively. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

**Connected relationship:** BSAM is the controlling shareholder of the Company, holding approximately 63.31% of the issued share capital of the Company.

**Transaction background:** BSAM, as the implementer and operator of major projects in Beijing, focuses its business operations in financial services, high-tech and modern manufacturing, culture and creativity, urban functionality area development, environmental protection and new energies. Currently, along with the upgrading of information security and the higher demand of the clients for system security, the Company re-engaged BJCA to assist in developing network security system and products and to provide related technical services to ensure our network systems run safely and stably.

**Voting:** None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective Board resolution dates, the Directors who are employees of BSAM, the related party, had abstained from voting on the resolution.



*DIRECTORS' REPORT**(VI) Connected transaction for the office lease and continuing connected transaction for the property services*

With the approval at the 21st meeting of the sixth session of the Board of the Company, the Company and BXLE entered into a lease agreement on 24 November 2017, with a term commencing from 1 June 2018 and expiring on 31 May 2021 and an aggregate floor area of approximately 5,807 square meters for room of A501, B501, C501, C502, C503, D501, E501 and E502 of Longfu Mansion leased at a monthly rent of approximately RMB1.3 million.

On the same day, the Company and BXLE Property Management entered into a property service agreement, pursuant to which, BXLE Property Management provided property services for relevant office to the Company.

According to relevant regulations under the Listing Rules, continuing connected transactions between the Company and BXLE and BXLE Property Management shall be calculated on a consolidation basis. As approved at the 21st meeting of the sixth session of the Board held by the Company, each of the annual transaction caps for the period from 1 April 2018 to 21 December 2018, the year of 2019, the year of 2020 and the period from 1 January 2021 to 21 May 2021 after consolidation should be RMB20.5 million, RMB20.0 million, RMB20.0 million and RMB9.0 million, respectively. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

The above lease agreement with BXLE and property service agreement with BXLE Property Management expired on 31 May 2021. As approved at the 33th meeting of the seventh session of the Board, the Company entered into a lease agreement with BXLE on 26 May 2021 to lease the office premises of BXLE for office use from 1 June 2021 to 31 December 2023 (both days inclusive). The leased premises are the entire 5th floor (units A501, B501, C501, C502, C503, D501, E501 and E502) and unit C602 on the 6th floor in a building, with an aggregate gross floor area of 6,458.77 sq.m., at a rate of RMB225.29/month/sq.m. and an aggregate monthly rent of RMB1.46 million. In accordance with Accounting Standards for Business Enterprise No. 21, the lease payments under the lease agreement with BXLE are capital in nature, so the office premises of BXLE will be recognized as a right-of-use asset of the Group on 1 June 2021 for an amount of RMB44.20 million. The rental payment and property management payment under the lease agreement with BXLE is expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

## DIRECTORS' REPORT

As approved at the 33th meeting of the seventh session of the Board, the Company entered into a property service agreement with BXLE Property Management, under which BXLE Property Management agreed to provide the Company with property services in respect of the BXLE Office Premises from 1 June 2021 to 31 December 2023. The annual caps for the transactions under the property service agreement were RMB0.67 million for June 2021 to December 2021, RMB1.13 million for January 2022 to December 2022 and RMB1.13 million for January 2023 to December 2023. The above transaction was exempted from independent Shareholders' approval and the Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

**Connected relationship:** BXLE is a subsidiary with 70% of equity interests controlled by BSAM, the controlling shareholder of the Company. BXLE Property Management is a wholly-owned subsidiary of BXLE.

**Transaction background:** BXLE is principally engaged in real estate development; property management; project investment; investment management; organizing cultural exchange activities (excluding performances); undertaking display demonstration; advertisement design, production, agency and publishing; sale of commodity properties. BXLE Property Management is principally engaged in property management; leasing of commercial properties; organizing cultural and art exchange activities; undertaking display demonstration, design, production, agency and advertisement publishing. Longfu Mansion is located in central Beijing, providing a better working environment and convenient location for the employees. There will be considerable time and cost saving (in terms of relocation and renovation) for the Group to lease the office premises from the BXLE, and the lease will provide the Group with stable and successive premises for its operations.

**Voting:** None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective Board resolution dates, the Directors who are employees of BSAM, the related party, had abstained from voting on the resolution.

*DIRECTORS' REPORT**(VII) Continuing connected transaction for purchase of internet access services*

With the approval at the 29th meeting of the seventh session of the Board, on 29 December 2020, Capinfo Cloud Technology entered into the a technique services framework agreement with Capnet, pursuant to which Capinfo Cloud Technology purchased internet access services from Capnet, with a term expiring on 31 December 2023. The Board approved that the annual caps for each year of 2021 to 2023 was RMB6.6 million, RMB9.0 million and RMB9.0 million respectively. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

**Connected relationship:** Capinfo Cloud Technology is a subsidiary of the Company. Capnet is a subsidiary of BSAM with 95% of equity interests, and BSAM is the controlling shareholder of the Company.

**Transaction background:** Capinfo Cloud Technology is principally engaged in the provision of electronic government cloud services and corporation cloud services, which requires the procurement of internet access services. Capnet is principally engaged in the operation of value-added telecommunication business. Under the technique services framework agreement, Capinfo Cloud Technology is able to secure internet access services based on a fair and reasonable pricing policy.

**Voting:** None of the Directors (including the Independent Non-executive Directors) had any material interests in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the Board resolution date, the directors who are employees of BSAM, a related party, had abstained from voting on the resolution.

## DIRECTORS' REPORT

### INDEPENDENT AUDITOR'S CONCLUSION ON THE CONTINUING CONNECTED TRANSACTIONS

The auditor of the Company has carried out procedures on the continuing connected transactions for the year. The independent auditor is of the conclusion that these transactions:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group.
- (3) nothing has come to their attention that causes them to believe that the transactions were not conducted, in all material aspects, in accordance with the terms of the agreements governing such transactions.
- (4) in relation to the aggregate/individual amount of the continuing connected transactions set out in the list of continuing connected transactions, nothing has come to their attention that causes them to believe that the amount of continuing connected transactions disclosed exceeds the maximum annual aggregate value set by the Company.

### CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on pages 52 to 82 of this annual report.

By Order of the Board

**Mr. Yu Donghui**  
*Chairman*

Beijing, the PRC

25 March 2022



# **INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT**

## **Board of the Company:**

In 2021, as the independent non-executive directors of the Company (hereinafter referred to as "INEDs"), based on the principle of objective, fair and impartial, In accordance with the relevant laws and regulations of "Company Law of the People's Republic of China" "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" strictly, as well as the duties stipulated in the "Articles of Association of Capinfo Company Limited", adhere to a diligent and responsible attitude, timely understand the Company's operating conditions in all aspects, actively attend the board of directors and shareholders' meetings, and review the relevant resolutions. On the basis of fully understanding of the facts, independent judgement based on our professional capabilities and experience, issuing independent opinions and voting on various proposals have effectively protected the interests of the Company and the majority of shareholders, especially small and medium shareholders.

Our performance of duties in 2021 is reported as follows, which will also be reported to shareholders at the Annual General Meeting of the Company.

## **I. BASIC INFORMATION OF INEDS**

Currently, the Company has four INEDs, and is compliant with the requirements on the minimum number of INEDs under the Listing Rules. Given the professional background on financial, legal and human resources management as well as related experience of these INEDs, it is believed that they have relevant experience and qualifications as required for the performance of their duties.

## **II. PERFORMANCE OF DUTIES DURING THE YEAR**

### **(i) Attendance of meetings of the Board and shareholders' general meetings**

During the Reporting Period, we actively attended shareholders' general meetings and meetings of the Board, and had not raised any objection to the resolutions proposed on such meetings. At the shareholders' general meetings, we listened carefully to the questions and opinions raised by the participating shareholders on the operation of the Company, and paid attention to the voting for the resolutions concerning the legitimate interests of the minority shareholders and their subsequent implementation. On the meetings of the Board, we carefully considered each proposal and ensured that the voting for the resolutions complied with the principles of independence, fairness and objectivity with a view to safeguarding the continuous healthy development of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

### (ii) Operation of the professional committees under the Board

The Board has five professional committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Strategy Committee and the Rule of Law and Compliance Committee. These committees are authorized to discuss and study in depth the major matters related to the development of the Company within the scope of responsibilities in accordance with respective Detailed Working Rules. On the meetings of the professional committees of the Board, leveraging the advantages of professional strengths, we provide professional advice in respect of the key issues over the areas such as strategies, finance, human resources and legal affairs of the Company. This serves as an important support for the Board to perform efficient decision-making.

## III. MAJOR CONCERNS IN THE PERFORMANCE OF DUTIES BY INEDS

### (i) Connected transactions and disclosure of information

The Company has been dedicated to performing obligation of auditing and disclosure for connected transactions in accordance with relevant laws and regulations and relevant provisions of the Listing Rules, as well as the Company's "Management Regulations for Disclosure of Information" and the "Management Regulations for Insider Information and Insiders". During the Reporting Period, the Company carried out connected transactions in accordance with applicable laws and regulations. When the related transaction was involved, the connected directors or the connected shareholders had abstained from voting at relevant meetings. We also gave independent statements and opinions, which would fundamentally eliminate the occurrence of illegal connected transactions. We uphold the principle of truthful, accurate, complete, timely and fair information disclosure, strengthen the management of information disclosure. We remain vigilant against insider trading and are committed to protect the interests of the shareholders of the Company.

### (ii) External guarantees and appropriation of capital

During the Reporting Period, the Company did not involve in any guarantee, nor there be any appropriation of capital of the Company by controlling shareholders.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

### (iii) Nomination and remuneration of directors

During the Reporting Period, the Nomination Committee reviewed the qualifications and experience of Ms. Yan Yi, Ms. Liang Yi, Mr. Su Zhongxing and Mr. Zhang Yiqian and recommended them as Directors of the Company. The recommendation was submitted to the Board of Directors and the general meeting of shareholders for review and approval. The procedure for nomination of candidates for directorship was compliant with the relevant laws and regulations and the Articles of Association.

Based on the performance of the Company and with reference to relevant standards of remuneration for senior executives in the industry and specific performance of the Company's senior management, the Remuneration and Appraisal Committee made confirmation on the overall implementation of the Company's remuneration policies in 2020, and approved the bonus distribution proposal for senior management of the year 2020 and the basic annual salary proposal for senior management of the year 2021.

### (iv) Appointment of auditor

During the Reporting Period, the Audit Committee of the Company approved the reappointment of Grant Thornton (Special General Partnership) as the independent auditor of the Company. The aforesaid had been submitted to the Board and the shareholders' general meetings for deliberation. The procedure of re-appointment of the independent auditor of the Company was compliant with the requirements of the laws and regulations and the Articles of Association.

### (v) Cash dividends and other returns to investors

The Company has continuously distributed cash dividends since 2008 with an accumulated amount of RMB553.88 million (including tax). The Company puts great emphasis on generating investment return for its shareholders, and will adhere to long-term and stable dividend policy.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

### (vi) Performance of commitments made by the Company and its shareholders

Beijing State-owned Assets Management Co., Ltd., the controlling shareholder of the Company, made a non-competitive commitment in December 2001 when the Company went public, according to which, Beijing State-owned Assets Management Co., Ltd. would not engage in any business competing, directly or indirectly, with the Company's existing business, and would not conduct any business which competes, either directly or indirectly, with the Company's business. Since then, the controlling shareholder has been fulfilling its commitments in an active manner, and no breach of commitment had been identified.

2022 is the year for the 20th Party Congress to be convened by the Communist Party and the Beijing Winter Olympic Games grabbing global attention, and it is also a crucial year for the Company to implement the 14th Five-Year Plan. With the strategic positioning of "providing integrated digital information infrastructure services", we will continue to promote the business pattern of "one core, two platforms and four sectors", focus on creating value for customers, stabilize the operation of major systems, consolidate the stock business, strongly develop incremental business, build the Company's marketing and technology system, optimize the management mechanism, enhance risk prevention and control capabilities, and facilitate the Company's high quality development.

Mr. Yang Xiaohui, Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell and Mr. Su Zhongxing  
*Independent Non-executive Directors*

Beijing, the PRC  
25 March 2022

## **SUPERVISORS' REPORT**

In 2021, with an aim to substantially safeguard the interests of the Company and all shareholders, the Board of Supervisors duly and honestly performed its duties, according to the Companies Law of the People's Republic of China, relevant regulations and the requirements under the Articles of Association, to oversee the long-term corporate development planning, significant development projects, the Company's production and operation, financial conditions and the performance of duties of the Director and senior management for promoting the standardized operation and sound development of the Company. Details of our duty performance in the last year are set out as below:

### **I. MEETINGS OF THE BOARD OF SUPERVISORS**

During the Reporting Period, the Board of Supervisors convened two meetings and signed meeting documents two times in the form of circulation, to take an effective supervision over the Board and the compliance of operation management of the Company. The Board of Supervisors carefully reviewed the Report on the Continuing Connected Transaction for 2020, Supervisors' Report for 2020, Audit Report for the year of 2020 and Interim Review Report for 2021 and Financial and Operation Analysis Report, elected Ms. Yu Nan to be the chairman of the eighth session of the Board of Supervisors of the Company with a term of office commencing from the date of approval by the Board of Supervisors up to the date of expiry of the eighth session of the Board of Supervisors and confirmed the information contained therein.

### **II. OPERATION OF THE BOARD OF SUPERVISORS**

During the Reporting Period, the Supervisors' Report of 2020 proposed by the Supervisors of the Company was approved at the AGM. Meanwhile, the Supervisors of the Company reviewed the documents of all previous board Meetings, and made no objection to each report and contents proposed on the Meeting for consideration.

### **III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS**

The Board of Supervisors made the following opinions on the supervision of the Year:

#### **(I) Lawful Operation of the Company**

The Board of Supervisors exercised supervision in routine work over the legality and compliance of the Company's operation and management. It had also exercised supervision over the work performance of the Company's Directors and operation management. During the Reporting Period, the Company conducted business according to the law and made continuous efforts to improve its internal control system; the decision-making procedures were in compliance with the relevant provisions of the laws, regulations and the Articles of Association.

## SUPERVISORS' REPORT

### (II) Authenticity of Financial Reports

During the Reporting Period, the Board of Supervisors carefully examined the 2020 annual and 2021 interim audit reports and Financial and Operation Analysis Report, and supervised and inspected the Company's implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure. The Board of Supervisors was of the opinion that the financial reports of the Company gave a true and fair presentation of the financial position and operating results of the Company, the preparation procedure for the reports and decision-making and approval procedures were in compliance with the requirements of the laws and regulations, the Listing Rules and the Company's internal management system.

### (III) Implementation of Resolutions Passed at the General Meetings

During the Reporting Period, the Board of Supervisors conducted supervision and inspection over the implementation of resolutions passed at the general meetings by the Board and the operation management. The Board of Supervisors was of the opinion that the Directors and the operation management of the Company had diligently discharged their duties in accordance with the resolutions approved at the general meetings. None of the Directors and operation management of the Company were found to have violated any laws or regulations or the Articles of Association nor taken any act which were detrimental to the interests of the shareholders of the Company in discharging their duties.

### (IV) Information Disclosure and Connected Transaction

The Company fulfilled its information disclosure obligations in strict compliance with the laws, regulations and the requirements of the Listing Rules, duly implemented the Information Disclosure Management System and the Management System of Inside Information and Insiders of the Company, disclosed information in a timely and fair manner, and ensured that information disclosed was true, accurate and complete.

During the Reporting Period, the procedures for entering into connected transactions by the Company were in compliance with the laws, regulations and requirements of the Listing Rules, and the prices were determined pursuant to commercial market rules. The approval, voting, disclosure and implementation of connected transactions complied with the relevant provisions of the laws, regulations and the Listing Rules. The Board of Supervisors did not find any act that was detrimental to the interests of the shareholders or the Company.



## SUPERVISORS' REPORT

### (V) Internal Control and Risk Management

During the Reporting Period, the Company focused on strengthening internal control, established and implemented a relatively completed and reasonable internal control policy, and the internal control system was roughly completed and effective. During the Year, no significant responsible accident occurred. Save as disclosed by announcement, no significant case occurred during the Year.

The risk management of the Company operated by closely focusing on strategic transition, regulatory requirements, operating objectives and the satisfaction of clients, which effectively promoted the optimization and adjustment of the business structure, thus all risks of the Company were effectively controlled and the assets were in good condition.

In the coming year, under supervising requirements and relevant provisions of the Articles of Association and with finance, internal control compliance supervision and risk prevention as core work, the Board of Supervisors will take the responsibility of maintaining effective operation of the Company's governance and its sound development to carefully perform their supervising duty, enhance the supervising strength and raise the quality of supervision, so as to protect the interests of the Company, shareholders and employees.

By Order of the Board of Supervisors

**Ms. Yu Nan**

*Chairman of the Board of Supervisors*

Beijing, the PRC

25 March 2022

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

Good corporate governance serves as a foundation for the Company to improve its management. The Company pursues sound corporate governance and believes that good corporate governance is in the best interest of the Company, shareholders and stakeholders. The Company considers excellent corporate governance as an important goal. With an aim to continuously improve its corporate governance level, the Company constantly improves its corporate governance practices and procedures, with a standardized and improved corporate governance structure. It also strictly complies with the state laws and regulations, relevant regulatory requirements and Listing Rules as well as closely observes trends in regulatory changes in China and abroad to improve the corporate governance level. During the Reporting Period, the Company has adopted the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules as its own corporate governance code. Up to the date of this report, the Company has complied with all code provisions under the Corporate Governance Code for the time being in force.

## CORPORATE GOVERNANCE FRAMEWORK

In accordance with the relevant provisions of the laws and regulations including the Companies Law and the Listing Rules as well as the Articles of Association, and with reference to the status of the Company, the Company constantly developed, improved and effectively implemented work systems and related work processes for the Board and its various specialized committees. The Company has established an effective corporate governance system with general meeting as the organ of highest authority, the Party Committee as the leading organ, the Board as the decision-making organ, the Board of Supervisors as the supervisory organ and the management as the implementation organ. During the Reporting Period, through the co-ordination and checks and balances among the general meeting, the Party Committee, the Board and its specialized committees, the Board of Supervisors and the management together with the effective operations of the internal control systems, the internal management operations of the Company have been further standardised and the level of its corporate governance has been continually enhanced.

## CORPORATE GOVERNANCE REPORT

## REGULATORY DOCUMENTS OF CORPORATE GOVERNANCE

The shareholders' general meetings, the Board and its subordinate specialized committees and the Board of supervisors are functioning independently and efficiently according to the Articles of Association and their respective rules and procedures. At present, the Company's regulatory documents of corporate governance mainly include:

No.	Name of Document
1	Articles of Association
2	Rules of Procedures of General Meeting
3	Rules of Procedures of Meetings of the Board of Directors
4	Rules of Procedures of Meetings of the Board of Supervisors
5	Rules of Working Meetings of General Managers
6	Articles of the Audit Committee
7	Articles of the Remuneration and Appraisal Committee
8	Articles of the Nomination Committee
9	Articles of the Strategy Committee
10	Articles of the Rule of Law and Compliance Committee
11	Articles of Independent Non-executive Directors
12	Articles of Secretary of the Board
13	Remuneration System of Directors and Supervisors
14	Code for Securities Transactions
15	Operation Rules for Capital Management
16	Management System of Information Disclosure
17	Management System of Inside Information and Insiders
18	Investor Relationship Management System
19	Procedures for Shareholders to Propose a Person for Election as Director
20	Internal Audit Working Regulations
21	Administrative Measures for Post-evaluation of Investment Projects
22	Administrative Measures for Economic Responsibility Audit
23	Rules of Equity Investment Management (Trial)
24	Negative List of Investment Projects
25	Administrative Measures for Overseas Investments (Trial)
26	Negative List of Overseas Investment Projects
27	Regulations on Management of the Parent Company and Subsidiaries
28	Management System of Finance Raising

## CORPORATE GOVERNANCE REPORT

### EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

No.	Exceeding the Requirements of Code Provisions of Corporate Governance Code of the Listing Rules
1	Up to the date of this report, nine of the twelve members of the Board are external Directors, so there is a strong independent element on the Board, which can effectively exercise independent judgment.
2	Two Independent Non-executive Directors of the Board are Certified Public Accountants.
3	All members of the audit committee are Independent Non-executive Directors with legal or accounting professional qualifications or relevant experience in the industry.
4	The management monitors the operating risks and the effectiveness of the internal control system of the Company on an ongoing basis.
5	The management submits Internal Control Report to audit committee every quarter to confirm that the Company complies with a series of internal control systems, regulations and procedures.
6	The management submits Report of Internal Control Results to the Board every quarter so that the Board can assess the effectiveness of internal control and risk management of the Company.
7	The Company has formulated the Code for Securities Transactions on terms no less exacting than that of the Model Code as set out in Appendix 10 of the Listing Rules.
8	The Company adopted fair information disclosure policy which explicitly explains the principles regarding provision of information to the public.
9	In addition to the liability insurance coverage for the Directors, the Company also purchased liability insurance for the supervisors and senior management.

### SHAREHOLDERS' RIGHTS AND GENERAL MEETINGS

Shareholders of the Company enjoy various rights entitled by laws, administrative regulations and the Articles of Association. General meeting is the organ of highest authority of the Company. The shareholders exercise their rights through general meetings. The Company formulated the Rules of Procedures of General Meetings to specify its written terms of reference so as to regulate the compliant operation of the general meetings. Full text of which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

## CORPORATE GOVERNANCE REPORT

The main responsibilities of the general meetings shall include the following:

- to decide on the Company's business policy and investment plans;
- to elect and replace Directors, to elect and replace supervisors acted by shareholder representatives and to decide remuneration of Directors and supervisors;
- to examine and approve the Director's report, reports of the Board of Supervisors, the Company's proposed annual budgets and final accounts, the Company's profit distribution proposals and loss recovery proposals;
- to resolve on proposals of the increase or reduction of the Company's registered capital;
- to resolve on matters such as merger, division, dissolution and liquidation of the Company;
- to resolve on the issuance of the Company's bonds;
- to resolve on the appointment, removal or non-reappointment of the Company's auditor;
- to amend the Articles of Association;
- to resolve on the Company's external guarantees which shall be approved by a general meeting as required under laws, administrative regulations and the Articles of Association;
- to consider transactions which need to be approved by a general meeting as provided in the Listing Rules;
- to consider and approve matters of changing the use of raised fund;
- to consider resolutions proposed by shareholder(s) who represents 3% or above of the voting shares of the Company; and
- to resolve such other matters which, in accordance with laws, administrative regulations and the Articles of Association, shall be resolved by a general meeting.

## CORPORATE GOVERNANCE REPORT

### PROCEDURES FOR CONVENING GENERAL MEETINGS AND SUBMITTING PROPOSALS

The contents of a proposal of the general meeting shall be within the duties and power of the general meeting with definite topics and specific matters for resolution and comply with the relevant provisions of laws, administrative regulations and the Articles of Association. In accordance with the Rules of Procedures of General Meeting of the Company, the following institutions or persons are eligible to submit proposals at general meetings:

- The Board, the Board of Supervisors, and shareholder(s) individually or collectively holding 3% or more of the Company's shares shall have the right to submit proposals to the Company.
- Shareholder(s) individually or collectively holding 3% or more of the Company's share may submit an extempore proposal to the convener in writing 10 days prior to the date of convening the general meeting. Within 2 days after the receipt of the proposal, the convener shall issue supplementary notice of the general meeting in this regard.
- The convener shall not amend the proposals set out in the notice of general meeting or add any new proposals subsequent to the announcement of the notice of the general meeting.
- Where shareholder(s) individually or collectively holding 10% or more of the Company's shares propose to convene an extraordinary general meeting or a class shareholders' meeting, the shareholder(s) shall sign one or more written request(s) in identical form and content requiring the Board to convene an extraordinary general meeting or a class shareholders' meeting and state the subject of the meeting, and at the same time submit proposals to the Board.

General meetings convened during the Reporting Period are set out in the section headed Investors Relations on pages 89 to 90 of this annual report.



## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

The Board takes a conscientious and effective approach in leading and supervising the Company. All Directors are responsible for promoting the continuous business development of the Company in good faith and in the best interest of the Company. Members of the Board understand that they are individually and collectively responsible to all shareholders in relation to the management, supervision and operation of the Company.

### COMPOSITION OF BOARD OF DIRECTORS

Up to the date of this report, the Company's Board of Directors comprises twelve members, including three Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The Company's Board of Directors comprises two women and ten men, including one Director under forty, four Directors between forty and forty-nine, seven Directors at and over fifty. The Company's Directors are professionals in finance, law, commerce and information services and management with extensive experience and expertise in various areas.

In terms of the composition of the Board, the Company advocates the diversification principle and tries to achieve a balance among the gender, age and expertise of directors. The name list of the members of the Board has been published on the websites of the Stock Exchange and the Company for the information of the shareholders and the investors.

Up to the date of this report, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

Biographies of the Directors are set out in the section headed Profiles of Directors, Supervisors and Senior Management on pages 19 to 26 of this annual report.

### RESPONSIBILITIES OF BOARD OF DIRECTORS

The Company formulated the Rules of Procedures of Meetings of the Board of Directors to specify its written terms of reference so as to regulate the compliant operation of the Board. Full text of the relevant Rules of Procedures is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

## *CORPORATE GOVERNANCE REPORT*

The main responsibilities of the Board of Directors shall include the following:

- to determine the Company's business plans and investment plans and to decide on the establishment of the Company's internal management bodies;
- to formulate the Company's annual budgets and final accounts, the Company's profit distribution plans and loss recovery plans and the plan for increase or reduction of the Company's registered capital, and proposals for issue of the corporate bonds;
- to formulate the proposals for merger, division or dissolution of the Company;
- to formulate the Company's basic management system and proposals for any amendment to the Articles of Association;
- to be responsible for convening general meeting and report on its work to the general meetings and to implement the resolution passed at the general meetings;
- to appoint or dismiss the general manager of the Company; to appoint according to the nomination made by the chief executive officer or dismiss other senior management personnel of the Company, and to determine their remunerations and system of rewards and punishment;
- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;

## CORPORATE GOVERNANCE REPORT

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the Directors' performance of their responsibilities and the employees' compliance with the Code of Conduct;
- to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- requirements of laws and regulations or Articles of Association and other matters as authorized on the general meeting.

### NOMINATION AND APPOINTMENT OF DIRECTORS

Pursuant to the Procedures for Shareholders to Propose a Person for Election as Director, when and only when there is vacancy in the Board, shareholders individually or collectively holding 3% or above of shares of the Company are entitled to nominate individuals for directorship to the Nomination Committee and be the candidates for directorship in accordance with relevant procedures of the Company. Details of the nomination procedures are available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

Appointment of Directors shall be approved by ordinary resolutions at general meetings. The general meetings are also entitled to remove any of the Directors before expiry of their tenure, provided that the removal is in compliance with relevant laws and administrative rules and regulations. Each newly appointed Director will provide with reading materials essential for the Directors to discharge their duties effectively, including profile of the Company and the industry and information regarding the relevant laws and regulations and duties of directorship. The management of the Company will also present details to the newly appointed Directors on the latest developments of the Company's business and operation. Meanwhile, the Company will provide Directors with reference materials regularly to ensure their timely understanding of the latest developments of the laws and regulations and the Company's business and operation.

## CORPORATE GOVERNANCE REPORT

### TERM OF APPOINTMENT OF DIRECTORS

The term of each session of the Board of the Company is three years. The term of the seventh session of the Board of Directors began on 19 June 2018 and expired on 18 June 2021. The term of the eighth session of the Board of Directors began on 18 June 2021 and will expire on 17 June 2024 and will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association and the Rules of Procedures of the Board of Directors, provided that the appointments may be terminated when both the Director and the Company agree.

### SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into service contracts with each of the members of the eighth session of the Board of Directors. Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' TRAINING

In accordance with the requirements of Rule A.6.5 of Appendix 14 to the Listing Rules, all Directors have participated in various forms of training programmes during their tenure to develop and refresh their knowledge and skills so as to ensure that their contribution into the Board remains informed and relevant. The forms of learning taken by the Directors include on-the-spot trainings organized by various professional organizations in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance as well as reading updated information on regulatory requirements and E-learning.

During the Reporting Period, pursuant to the requirements of Code Provision C.1.2 set out in Appendix 14 to the Listing Rules, the Company provides Directors with "Monthly Report to Directors", which contains the latest business and financial developments of the Group. The Company also provides books and materials related to compliance and duty performance for Directors to learn so as to ensure that the Directors are provided with continuous professional development to be competent for their jobs. During the Reporting Period, the Directors provided their training records to the Company regularly.

## CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT PARTICIPATED BY DIRECTORS

Name	Reading regulatory updates	Attending seminars/conferences relevant to the Directors' duties	Receiving shareholders' visit
<b>Executive Directors</b>			
Mr. Yu Donghui (Party Secretary and Chairman)	✓	✓	✓
Mr. Zhang Yiqian (Deputy Party Secretary and General Manager)	✓	✓	
Mr. Zong Zhaoxing (Deputy Party Secretary)	✓	✓	
<b>Non-executive Directors</b>			
Ms. Yan Yi	✓	✓	
Mr. Zhou Weihua	✓	✓	
Ms. Liang Yi	✓	✓	
Mr. Shan Yuhu	✓	✓	
Mr. Feng Jianxun	✓	✓	
<b>Independent Non-executive Directors</b>			
Mr. Yang Xiaohui	✓	✓	
Mr. Gong Zhiqiang	✓	✓	
Mr. Cheung, Wai Hung Boswell	✓	✓	
Mr. Su Zhongxing	✓	✓	
<b>Resigned or retired Directors</b>			
Ms. Lin Yankun	✓	✓	
Mr. Ma Linxiang	✓	✓	
Mr. Hu Yong	✓	✓	
Mr. Li He	✓	✓	

## DIRECTORS' LIABILITY INSURANCE

In accordance with the requirement of Code Provision A.1.8 set out in Appendix 14 to the Listing Rules, liability insurance for Directors is maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties and enhance the effectiveness of decision-making.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for supervising the preparation of accounts for the year which shall present a true and fair view of the state of affairs, results of operations and cash flow of the Group during the Year. In preparing the financial statements for the year ended 31 December 2021, the Directors had selected and consistently applied suitable accounting policies; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Company's independent auditor's reporting responsibilities on the Group's accounts are set out in the Auditors' Report on pages 93 to 253 of this annual report.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors for the year ended 31 December 2021.

### BOARD MEETING

The Chairman of the Board is responsible for convening the Board meetings which shall be convened at least four times each year. In accordance with the requirements of Code Provision A.1.3 and A.7.1 of Appendix 14 to the Listing Rules, the Company had notified all Directors at least fourteen days before the convening of a board meeting and ensure that relevant meeting materials has been sent to the Directors at least three days before the meeting. Notices and agendas of the Board meetings of the Company were prepared under the instruction of the Chairman of the Board and distributed to the Board members within reasonable time before the meetings pursuant to the Articles of Association and the Rules of Procedures of the Board of Directors.

During the Reporting Period, the Board of Directors held eleven meetings. Details on the convening of meetings of the members of the Board of Directors set out in the "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.



## CORPORATE GOVERNANCE REPORT

To ensure the Directors making decisions objectively in the best interests of the Company, pursuant to the requirements mentioned in Rule 13.44 of the Listing Rules and the relevant requirements of Article 127 of the Articles of Association, any Director shall abstain from voting on any resolutions in which he or his close associate(s) is/are materially interested and shall not be counted in the quorum of the meeting.

In accordance with the requirements of Rule (c) and (d) as set out in Paragraph I of Appendix 14 to the Listing Rules, any Director attending the Board meeting by electronic means such as teleconference and video conference shall be deemed as present in person, while attendance of meetings of the Board meetings or meetings of its subordinate specialized committees by authorized representatives shall not be counted in the attendance of meeting rate of the respective Director.

### SUPPLY OF AND ACCESS TO INFORMATION OF THE BOARD

- All Directors are entitled to receive advice and services of the secretary of the Board and the secretary of the Company. If any Director need to seek independent professional advice in the exercise of their functions and powers, the relevant fees shall be at the Company's expense;
- Directors are entitled to receive the communication information of the management of the Company so as to communicate and keep them informed of the operations of the Company in a timely manner;
- Directors are entitled to have immediate access to the agendas and relevant meeting documents of the Board meetings and may require the management to supplement more detailed information on the meeting and other relevant information;
- The minutes of meetings of the Board and its subordinate specialized committees are kept, which record in details the opinion expressed and any doubts or objection raised by the Directors. Directors may comment on the draft minutes. The final versions of the minutes will be filed within a reasonable time after the meeting and are available for inspection by all Directors.

### SPECIALIZED COMMITTEES UNDER THE BOARD

The Company established five specialized committees under the Board, i.e. the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Strategy Committee and the Rule of Law and Compliance Committee, which are delegated to perform certain function of the Board so as to improve efficiency of the Board.

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the compliant operation of the Audit Committee. The Audit Committee of the Company comprises four members, all being Independent Non-executive Directors. The term of the Audit Committee of the Company is three years the same as that of the Board and will expire on 17 June 2024. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Audit Committee, provided that the appointment may be terminated when both the member and the Company agree. Details of the members of the Audit Committee up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Yang Xiaohui	Independent Non-executive Director	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell	Independent Non-executive Director	Member
Mr. Su Zhongxing*	Independent Non-executive Director	Member

Note\*: Mr. Su Zhongxing was appointed to replace Mr. Li He as a member of the Audit Committee on 18 June 2021.

#### The main authorities and duties of the Audit Committee include:

- to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and the terms of engagement of external auditor;
- to monitor the independent auditor's independence and objectivity and the effectiveness of the audit process; to discuss with the external auditors the nature and scope of the audit and reporting obligations before audit commences and ensure co-ordination where more than one audit-firm is involved;
- to develop and implement policies on the engagement of an external auditor to provide non-audit services;
- to conduct regular assessment on the performance of the financial and audit departments of the Company and the performance of the responsible staff in charge of these departments;
- to monitor the financial, accounting policies and practices of the Company (including the financial control, risk management and internal control systems), to monitor integrity of the risk management and internal control systems, financial statements and performance reports submitted to the Board of Directors and to review significant financial reporting judgements contained in them, in particular:

## CORPORATE GOVERNANCE REPORT

- (1) any change in accounting policies and practices;
  - (2) where important judgements are involved;
  - (3) major adjustments to be made after the audit is completed;
  - (4) going concern assumptions and any reservations;
  - (5) compliance with the IPSAS; and
  - (6) compliance with the Listing Rules and relevant regulations
- to discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts, and consider any matters raised by the accountant, financial reporting staff and supervisor of the Company, and other matters that the auditor wishes to discuss (if necessary, in the absence of management);
  - to meet at least twice (2) a year with the external auditors, review the external auditor's explanatory statement to the management on its audit;
  - to review the external auditor's explanatory statement to the management on its audit, any doubt raised by the auditor on accounting records, financial accounts or monitoring systems to the management and management's response to these doubts, ensure that the Board of Directors responds promptly to any issues raised by the auditor;
  - to supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;
  - to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
  - to discuss with the management the risk management and internal control systems and ensure that the management has discharged its duties to have an effective systems, the contents of discussion shall include whether the resources for accounting and financial reporting function, and the qualification and experience of the responsible staff are adequate and whether the staff received sufficient training and there are enough of the budget, and to ensure the coordination between internal audit department and external auditor, and to ensure that the internal audit department is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

## CORPORATE GOVERNANCE REPORT

- to cooperate with audit activities conducted by the Board of Supervisors;
- act as the key representative body for overseeing the Company's relations with the external auditor;
- the Audit Committee has an email (audit@capinfo.com.cn) dedicate to raise concern and take appropriate action towards and request the Company to undertake a fair and independent investigation over the matters with regard to the financial report, internal control of the Company or other matters with respect to any misconduct exists which are reported or raised by the staff; it is the responsibility of the Company to inform all the staffs of this email address by internal notice;
- to report to the Board of Directors on the matters of these Articles; and
- to perform other duties as delegated by the Board of the Company.

### Convening of Audit Committee Meetings:

In 2021, the Audit Committee held five meetings. The meeting mainly reviewed the following issues:

- 2020 Audit Report and 2021 Interim Review Report of the Group, the Financial and Operation Analysis Report of the Group for the first quarter and third quarter of 2021, and re-appointed Grant Thornton as the independent auditor of the Company;
- Internal Audit Report;
- 2020 Audit Work Report and 2021 Audit Work Plan
- 2021 Annual Work Plan of the Audit Committee
- The Company's 2021 Internal Control Self-Assessment Work Plan
- The Company's 2021 Internal Control Self-Assessment Work Summary Report
- Capinfo Cloud Technology Co., Ltd.'s "One-Two" Audit Report

## CORPORATE GOVERNANCE REPORT

The Audit Committee is of the opinion that, the internal control management of the Company was effective, while the procedures of internal audit were standard and reasonable, thus fulfilling the target of effectively controlling and preventing the operation risk. The Company was able to accurately identify the operation risk with rapid response and prompt correction; meanwhile the Company formulated feasible risk control measures, which were strictly executed. The accounting policy of the Company was carried out properly, the preparation of the financial reports of the Company strictly complied with applicable accounting standards, the Listing Rules and other laws and regulations, the financial reporting information is complete and accurate, and adequate disclosures have been made that give a true picture of the Company's operational position.

Details of the convening of meetings of the members of the Audit Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.

### REMUNERATION AND APPRAISAL COMMITTEE

The Company established the Remuneration and Appraisal Committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of Remuneration and Appraisal Committee to specify its written terms of reference, so as to regulate the compliant operation of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee of the Company comprises three members. The term of the Remuneration and Appraisal Committee is three years (the same as that of the Board) and will expire on 17 June 2024. The appointment will be re-appointed thereafter subject to re-election and reappointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Remuneration and Appraisal Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the Remuneration and Appraisal Committee up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Gong Zhiqiang	Independent Non-executive Director	Chairman
Mr. Yang Xiaohui	Independent Non-executive Director	Member
Ms. Yan Yi*	Non-executive Director	Member

Note\*: Ms. Yan Yi was appointed to replace Mr. Hu Yong as a member of the Remuneration and Appraisal Committee on 18 June 2021.

## CORPORATE GOVERNANCE REPORT

The main authorities and duties of the Remuneration and Appraisal Committee include:

- according to the operation objectives and goals of the Company, propose to the Board the entire remuneration policies, structures and appraisal criteria for the Directors, Supervisors and senior management of the Company, and to make recommendations to the Board of Directors on the overall remuneration policy, salary structure and assessment criteria;
- to make recommendations to the Board of the remuneration packages for individual Executive Director and senior management, including benefits in kind, pension right and compensation payment (including compensation for loss or termination of office or appointment) by reference to the remuneration benchmark paid by the similar companies, the duties and responsibilities, the time involved, and the employment conditions of other positions in the Group;
- to review and approve the compensation payable to the executive directors and senior management for the loss or termination of their duties or appointments to ensure that such compensation is consistent with the terms of the contract; if not consistent, the compensation must be fair and reasonable;
- to review and approve the compensation arrangements for the dismissal or removal of the directors and supervisors due to misconduct to ensure the arrangements are in line with the terms of the contract; if not consistent with the terms of the contract, the compensation must be reasonable and appropriate;
- to ensure that no Directors, Supervisors or any of their associates is involved determining their own remuneration;
- to vote on the service contracts of the Directors and the supervisors before submitting to the shareholders for approval;



## CORPORATE GOVERNANCE REPORT

- to make recommendations to the Board on the remuneration of the Non-executive Directors and supervisors;
- to monitor the implementation of the remuneration system of the Company and propose any amendment thereto if needed; and
- to perform other duties as delegated by the Board.

### Convening of meetings of Remuneration and Appraisal Committee:

In 2021, the Remuneration and Appraisal Committee held three meetings. The meetings mainly reviewed the following issues:

- confirmation of the total remuneration of the Company for 2020
- payment of year-end bonus for 2020 to the senior management of the Company
- approval of the basic annual salary of the senior management of the Company for 2021
- 2021 Annual Work Plan of the Remuneration and Appraisal Committee
- revision to the Remuneration Management System for Directors and Supervisors
- Work Plan for the Implementation of Tenure System and Contractual Management of the Management Team of Capinfo

Details of the convening of meetings of the members of the Remuneration and Appraisal Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.

## CORPORATE GOVERNANCE REPORT

## DIRECTORS' REMUNERATION \*

Unit: RMB0'000

Name	Fees	Salaries, allowances and retirement benefit scheme contributions	Audit committee	Remuneration and appraisal committee	Nomination committee	Strategy committee	Rule of Law and Compliance Committee	Total
<b>Executive Directors</b>								
Mr. Yu Donghui (Party Secretary and Chairman)	-	134.58	-	-	-	-	-	134.58
Mr. Zhang Yiqian (Deputy Party Secretary and Executive Director)	-	44.89	-	-	-	-	-	44.89
Mr. Zong Zhaoxing (Deputy Party Secretary)	-	125.15	-	-	-	-	-	125.15
Ms. Lin Yankun (resigned on 10 September 2021)	-	95.16	-	-	-	-	-	95.16
<b>Non-executive Directors</b>								
Ms. Yan Yi	-	-	-	-	-	-	-	-
Mr. Zhou Weihua	-	-	-	-	-	-	-	-
Ms. Liang Yi	-	-	-	-	-	-	-	-
Mr. Shan Yuhu	-	-	-	-	-	-	-	-
Mr. Feng Jianxun	-	-	-	-	-	-	-	-
Mr. Hu Yong (resigned on 18 June 2021)	-	-	-	-	-	-	-	-
Mr. Ma Linxiang (resigned on 18 June 2021)	-	-	-	-	-	-	-	-
<b>Independent Non-executive Directors</b>								
Mr. Yang Xiaohui	6.61	-	0.46	-	0.23	-	-	7.30
Mr. Gong Zhiqiang	6.61	-	0.23	0.46	0.23	-	0.23	7.77
Mr. Cheung, Wai Hung Boswell	6.61	-	0.23	-	0.23	-	-	7.07
Mr. Su Zhongxing	4.29	-	0	0	-	-	-	4.29
Mr. Li He (resigned on 18 June 2021)	2.32	-	0.23	0.23	-	-	-	2.79

Note: The general meeting of shareholders of the Company held on 18 June 2021 approved the revision to the remuneration system for Directors and Supervisors. The remuneration standard for independent Directors was revised from RMB50,000 to RMB80,000 per person per year, and remuneration for specialized committees was no longer available.

## SENIOR MANAGEMENT'S EMOLUMENTS

The annual emoluments of the senior management of the Company fall within RMB1.5 million, and three of the five highest paid employees are senior management of the Company. Details on the five highest paid individuals are set out in note XIII.4 to the consolidated financial statements on page 245 of this annual report.

## CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee to specify its written terms of reference, so as to regulate the compliant operation of the Nomination Committee. The Nomination Committee of the Company comprises three members. The term of the Nomination Committee is three years (the same as that of the Board) and will expire on 17 June 2024. The appointment will be reappointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Nomination Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the Nomination Committee up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Yu Donghui*	Executive Director	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell	Independent Non-executive Director	Member

Note\*: Mr. Yu Donghui was appointed to replace Ms. Lin Yankun as the chairman of the Nomination Committee on 10 September 2021.

## The main authorities and duties of the Nomination Committee include:

- to make recommendations to the Board in relation to the scale and composition of the Board, including the rational number of the Board, gender, age, cultural and educational background and diversity of professional experience of the Board at least once a year;
- to review and assess the independence of the Independent Non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment and succession of Directors (in particular the Directors who hold the position of Chairman and concurrently hold the position of general manager);
- to study the selection criteria and procedures of Directors, and make recommendations to the Board;
- to identify qualified candidates for directorship in an extensive scale;
- to conduct appraisals on the candidates for directorship and make recommendations;
- to examine the implementation of diversity policy of the members of the Board, and to review the policy as appropriate to ensure that it is effective; to review the measurable objectives and compliance progress of the Board of Directors for the implementation of diversity policy of the members of the Board;
- to disclose the diversity policy or policy summaries and review results in the Corporate Governance Report each year; and
- to perform other duties as delegated by the Board.

## CORPORATE GOVERNANCE REPORT

### The nomination procedures for directorship by the Nomination Committee:

- (1) To actively communicate with the relevant divisions of the Company, study the demand of the Company for new Directors and prepare written documents;
- (2) To identify candidates for directorship within the Company, its controlling companies as well as in the labour market in an extensively manner;
- (3) To obtain information including gender, age, culture, occupation, education background, job title, detailed working experience and all concurrent posts from initial candidates and prepare written documents;
- (4) To seek the nominees' consent on his/her nomination, otherwise his/her name shall not be put on the list of the candidates of directorship;
- (5) To convene meetings of the Nomination Committee and to review the qualification of the initial candidates according to their relevant qualifications;
- (6) To make recommendations about the candidates for directorship and provide relevant documents to the board of directors before the election of new directors;
- (7) To conduct other follow-up works based on the decision and feedbacks of the Board of Directors.

### Convening of meetings of Nomination Committee:

In 2021, the Nomination Committee held three meetings. The meetings mainly reviewed the following issues:

- The size and composition of the Board of Directors of the Company in 2020
- 2021 Work Plan of the Nomination Committee
- The election of the seventh session of the Board of Directors of the Company
- Mr. Zhang Yiqian being the candidate of executive Director for the eighth session of the Board of Directors of the Company
- Ms. Yan Yi and Ms. Liang Yi being candidates of non-executive Directors for the eighth session of the Board of Directors of the Company
- Mr. Su Zhongxing being candidate of independent non-executive Director for the eighth session of the Board of Directors of the Company

Details of the convening of meetings of the members of the Nomination Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.

## CORPORATE GOVERNANCE REPORT

## STRATEGY COMMITTEE

The Company established the Strategy Committee and formulated the Articles of Strategy Committee to specify its written terms of reference, so as to regulate the compliant operation of the Strategy Committee. The Strategy Committee of the Company comprises three members. The term of the Strategy Committee of the Company is three years (the same as that of the Board) and will expire on 17 June 2024. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Strategy Committee, provided that the appointments may be terminated when both the member and the Company agree. As of the date of this report, list of members of the Strategy Committee are as follow:

Name	Director Type	Position
Mr. Yu Donghui*	Executive Director	Chairman
Mr. Zhang Yiqian	Executive Director	Member
Mr. Su Zhongxing	Independent Non-executive Director	Member

Note\*: Mr. Yu Donghui replaced Ms. Lin Yankun as the chairman of the Strategy Committee on 10 September 2021.

## The main authorities and duties of the Strategy Committee include:

- to conduct studies and make recommendations on the Company's long-term development strategies;
- to conduct studies and make recommendations on the Company's major investment and financing plans;
- to conduct studies and make recommendations on the Company's major capital operations and asset operation projects;
- to conduct studies and make recommendations on other significant events that may affect the development of the Company;
- to conduct inspection and supervision on implementation of the above matters; and
- to perform other duties as delegated by the Board of the Company.

## Convening of meetings of Strategy Committee:

In 2021, the Strategy Committee held two meetings. The meetings mainly reviewed the following issues:

- The operating budget of the Group for 2021
- 2021 Work Plan of the Strategy Committee
- Post-evaluation report on investments of Capitol Cloud Technology Co., Ltd.

Details of the convening of meetings of the members of the Strategy Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.

## CORPORATE GOVERNANCE REPORT

### Rule of Law and Compliance Committee

The Company established the Rule of Law and Compliance Committee and formulated the Articles of Rule of Law and Compliance Committee to specify its written terms of reference, so as to regulate the compliant operation of the Rule of Law and Compliance Committee. The Rule of Law and Compliance Committee of the Company comprises three members. The term of the Rule of Law and Compliance Committee of the Company is three years (the same as that of the Board) and will expire on 17 June 2024. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Rule of Law and Compliance Committee, provided that the appointments may be terminated when both the member and the Company agree. As of the date of this report, list of members of the Rule of Law and Compliance Committee are as follow:

Name	Director Type	Position
Mr. Yu Donghui	Executive Director	Chairman
Mr. Zong Zhaoxing	Executive Director	Member
Mr. Gong Zhiqiang	Independent Non-executive Director	Member

The main authorities and duties of the Rule of Law and Compliance Committee include:

- to understand the development and operation of the legal and compliance system of the Company;
- to supervise and evaluate the legal and compliance management of the Company, and check the Company's compliance with laws and regulations;
- to review the governance structure and duty plan for the rule of law, annual legal and compliance work plan and progress report of the Company; and
- other matters authorized by the Board of Directors.

Convening of meetings of the Rule of Law and Compliance Committee:

In 2021, the Rule of Law and Compliance Committee signed meeting documents five times in the form of circulation to review the election of the chairman of the Rule of Law and Compliance Committee of the Seventh Session of the Board of Directors, the 2020 Legal Compliance Work Report of the Company, the 2021 Work Plan of the Rule of Law and Compliance Committee, formulate the Plan of Establishment of Compliance Organization System of the Company, elect the chairman of the Rule of Law and Compliance Committee of the eighth session of the Board of Directors of the Company and consider and formulate the Management Regulations of the Parent Company and Subsidiaries.

Details of the convening of meetings of the members of the Rule of Law and Compliance Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 75 of this annual report.

## CORPORATE GOVERNANCE REPORT

## Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees

Name	The Board <sup>1</sup>	Audit Committee <sup>2</sup>	Remuneration and Appraisal Committee <sup>3</sup>	Rule of		
				Compliance Committee <sup>4</sup>	Nomination Committee <sup>5</sup>	Strategy Committee <sup>6</sup>
<b>Executive Directors</b>						
Mr. Yu Donghui (Party Secretary and Chairman) <sup>7</sup>	10/11			5/5		2/2
Mr. Zhang Yiqian (Deputy Party Secretary and General Manager) <sup>8</sup>	2/3					1/1
Mr. Zong Zhaoxing (Deputy Party Secretary)	11/11			5/5		
<b>Non-executive Directors</b>						
Ms. Yan Yi <sup>9</sup>	7/7		1/1			
Mr. Zhou Weihua	8/11					
Ms. Liang Yi	4/7					
Mr. Shan Yuhu	8/11					
Mr. Feng Jianxun	8/11					
<b>Independent Non-executive Directors</b>						
Mr. Yang Xiaohui	10/11	5/5	3/3			
Mr. Gong Zhiqiang	8/11	4/5	3/3	5/5	3/3	
Mr. Cheung, Wai Hung Boswell	5/11	5/5			3/3	
Mr. Su Zhongxing <sup>10</sup>	4/7	3/3				1/1
<b>Resigned or retired Directors</b>						
Ms. Lin Yankun	5/7				3/3	1/1
Mr. Ma Linxiang	1/4					
Mr. Hu Yong <sup>11</sup>	3/4		2/2			
Mr. Li He <sup>12</sup>	2/4	2/2				1/1

## Notes:

- The Board held seven on-site meetings and four meetings through video conference.
- The Audit Committee held three meetings and signed meeting documents two times in the form of circulation.
- The Remuneration and Appraisal Committee signed meeting documents three times in the form of circulation.
- The Rule of Law and Compliance Committee signed meeting documents five times in the form of circulation.
- The Nomination Committee signed meeting documents three times in the form of circulation.
- The Strategy Committee signed meeting documents two times in the form of circulation.
- Mr. Yu Donghui replaced Ms. Lin Yankun as the chairman of the Nomination Committee and the Strategy Committee on 10 September 2021.
- Mr. Zhang Yiqian was approved to be appointed as an executive Director at the extraordinary general meeting held on 11 October 2021 and he also serve as a member of the Strategy Committee.
- Ms. Yan Yi was approved to be appointed as a non-executive Director at the annual general meeting held on 18 June 2021 and she replaced Mr. Hu Yong as a member of the Remuneration and Appraisal Committee.
- Mr. Su Zhongxing was approved to be appointed as an independent non-executive Director at the annual general meeting held on 18 June 2021 and he replaced Mr. Li He as a member of the Audit Committee and the Strategy Committee.
- Mr. Hu Yong retired as a non-executive Director and member of the Remuneration and Appraisal Committee upon expiry of the seventh session of the Board on 18 June 2021.
- Mr. Li He retired as an independent non-executive Director and member of the Audit Committee and Strategy Committee upon expiry of the seventh session of the Board on 18 June 2021.



## CORPORATE GOVERNANCE REPORT

### JOINT COMPANY SECRETARIES

Upon approval by the Board, Mr. Lu Lei and Ms. Koo Ching Fan were appointed as the joint company secretaries of the Company together. A system of Joint Company Secretaries is adopted by the Company to assist the Board of Directors to perform its responsibilities to the shareholders in accordance with the Listing Rules and provide professional advice to the Board regarding corporate governance, so as to maintain smooth information communication among the members of the Board, arrange induction training and professional development for the Directors, ensure the compliance of the procedures of the Board and improve the efficiency of the Board.

Mr. Lu Lei is a full-time employee of the Company, serving as the deputy general manager, Joint Company Secretary and the Secretary of the Board. The profile of Mr. Lu Lei is set out on page 25 of the session headed "Profiles of Directors, Supervisors and Senior Management" of this annual report. Ms. Koo Ching Fan was appointed as joint company secretary of the Company since January 2012. She is serving at Fair Wind Secretarial Services Limited in Hong Kong instead of a full time employee of the Company. Ms. Koo graduated from the Hong Kong Polytechnic University with a master degree in professional accounting in 2002 and successively obtained the qualification as an associate member of each of the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly the Institute of Chartered Secretaries and Administrators), U.K. and a fellow member of the Association of Chartered Certified Accountants. She has rich working experience in company secretarial work. The primary contact person at the Company is Mr. Lu Lei.

Pursuant to the provisions of Rule 3.29 of the Listing Rules, the joint company secretaries have participated in over 15 hours of professional trainings during the Reporting Period, mainly covering the laws and regulations, finance, internal control and corporate governance trainings organized by the Hong Kong Chartered Governance Institute. The professional capabilities of the secretaries have been effectively enhanced through continuous trainings and developments, which made positive contribution to promote the effective functioning of the Board of Directors.

### BOARD OF SUPERVISORS

The Company established the Board of Supervisors in accordance with Article 117 of the Companies Law, and formulated the Rules of Procedures of Meetings of the Board of Supervisors to specify its written terms of reference, so as to regulate the operation of the Board of Supervisors. The Board of Supervisors of the Company comprises three members. Details of the members are set out as below:

Name	Supervisor Type	Position
Ms. Yu Nan	Shareholder Representative	Chairman to the Board of Supervisors
Ms. Ma Xiaoping	Shareholder Representative	Supervisor
Ms. Zhu Chenlan	Staff Representative Supervisor	Supervisor

## CORPORATE GOVERNANCE REPORT

The term of the eighth session of the Board of Supervisors of the Company is three years and will expire on 17 June 2024. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Rules of Procedures of Meetings of the Board of Supervisors, provided that the appointments may be terminated when both the member and the Company agree.

The Company has entered into supervisor service contracts with each of the members of the eighth session of the Board of Supervisors. Save as disclosed above, none of the supervisors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Biographies of the above-mentioned existing supervisors are set out in the section under the title of "Profiles of Directors, Supervisors and Senior Management" on page 24 of this annual report.

### **The main authorities and duties of the Board of Supervisors include:**

- to raise proposals to the general meeting and to convene extraordinary general meeting;
- to attend the general meetings of the Company upon being invited, and to supervise and investigate into the implementation of the resolutions of the general meetings;
- to attend the meetings of the Board of the Company upon being invited. So to supervise the matters, including the legality of the procedures of the convening of the meetings of the Board of the Company, the abstention of Directors as connected persons from voting and whether or not the contents of the resolutions of the meeting of the Board conform to the requirements of the laws, regulations and the Articles of Association and meet the actual needs of the Company;
- to attend the meetings, including the work meetings of the general managers that involve material operating activities of the Company;
- to supervise the acts of the Directors, general managers and other senior management of the Company in their performance of the company duties, that are in violation of the laws, administrative rules and regulations or the Articles of Association;
- to represent the Company in negotiation with, or bring legal actions against, the Directors;
- to examine the finance of the Company; and
- such other powers and duties as stipulated in relevant laws and regulations, regulatory documents or the Articles of Association and as delegated by the general meetings.

## CORPORATE GOVERNANCE REPORT

### Convening of meetings of the Board of Supervisors:

During the Reporting Period, details of the convening of meetings of the Board of Supervisors set out in "Supervisors' Report" on pages 49 to 51 of this annual report.

### Participation of trainings by supervisors:

During the Reporting Period, all supervisors have participated in various forms of learning and education activities during their tenure to develop and refresh their knowledge and skills. The forms of learning taken by the supervisors include on-the-spot training covering the topic of corporate governance etc., and reading books and online studies relating to laws and regulations, finance and commerce, internal control of risks. Meanwhile, the Company also sends a duplicate of "Monthly Report to Directors" to supervisors so as to update them the latest business and financial developments of the Group in a timely manner. During the Reporting Period, the supervisors provided their training records to the Company regularly.

## RISK MANAGEMENT AND INTERNAL CONTROL

General meeting is the organ of the highest authority of the Company. The Party Committee is the leading organ of the Company. The Board of Directors is the decision-making body of the Company. The Board of Supervisors is the supervision organ of the Company. The Company established five specialized committees under the Board, i.e. the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Strategy Committee and the Rule of Law and Compliance Committee, as the decision-making research units of the Board. Chairman of the Board and management of the Company directed, coordinated, managed and supervised the Company's daily operations in accordance with the decisions of the Board. Authorities perform their respective duties to ensure the stable operation of the Company.

The Company established a comprehensive and systematic internal control system, made the internal control manual and commenced the internal control assessment work according to the relevant requirements set out by the "Interim Measures of the Internal Control Assessment Work" set out in the internal control manual. During the Reporting Period, the Auditing Department of the Company had carried out effective internal control supervision and completed the assessment work of the assigned matters of the internal control and carried out a comprehensive internal control assessment in 2021, which reasonably ensures the legitimacy and compliance of the Company's operation and management, safety of assets, financial reporting as well as the accuracy and completeness of relevant information. This has raised the operational efficiency and has facilitated the Company to achieve development strategies.

## CORPORATE GOVERNANCE REPORT

**RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

<b>Control Culture</b>	Establish regulated corporate governance structure, foster the integrity and moral values of employees, enhance the competence and control awareness of employees and create good business atmosphere for the Company.
<b>Risk Assessment</b>	Confirm and identify risks relating to the Company as the basis to develop control measures.
<b>Control Measures</b>	Formulate policies and procedures for each business function, including approval, authorization, check, advice, performance assessment, assets safety and division of responsibilities.
<b>Information Communication</b>	Ensure smooth information communication with outside and provide responsibilities reminder for the management to take measures to implement the supervision effectively.
<b>Supervision</b>	Adopt control and risk assessment system and continuously assess and control risks through internal audit and by informing employees of important control process.

Through the design, operation, evaluation and continuous improvement of risk management and internal control system, the Company kept reinforcing the duty of internal control management, regulated risks, as well as improved the internal control management. The Company implemented the risk management and internal control system in all business processes and operations, ensuring integrity, rationality and effectiveness in the improvement of internal control environment, enhancement of risk identification and assessment capabilities, reinforcement of risk control measures, improvement of information exchange and strengthening of supervision and evaluation mechanism. The risk management and internal control system provides reasonable assurance for the Company to implement the development strategy, achieve the business objectives and realize sustainable healthy development of all businesses.

During the Reporting Period, the Company continued to strengthen and improve the establishment of risk management and internal control system so as to keep optimizing the internal control environment, improved the corporate governance system; enhanced management and direction over the branches and controlled subsidiaries; further implemented talent strategy; and strengthened the corporate culture with an aim to promote the implementation of its strategic goal. Meanwhile, the Company further improved its decision-making and risk control abilities and extended the breadth and depth of market risk management; promoted the standardized and computerized management of the financial information; made a comprehensive business plan and annual budget; perfected the appraisal standards of business performance and business development; further optimized the business processes, which made the business processing more efficient; intensified the management of the operational risk by integrating the risk monitoring system; further enhanced the management system for connected transactions, significant risk alert mechanism and emergency handling mechanism to regulate the crisis management procedure; improved the information disclosure and investor relations management to continue to enhance the transparency and safeguard the rights and interests of the shareholders. Through the above measures, the Company kept reinforcing its internal control.

## CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company further increased the strength on supervision and inspection. By focusing on development strategy and oriented by risk and aimed at uplifting corporate value, the internal audit department effectively performed its duties of internal control by supervising the business transformation and business innovation, as well as the effectiveness of implementation of business regulatory requirements and the Company's systems to generally cover the key areas which need to be paid more attention and controlled.

### Effectiveness of Risk Management and Internal Control

The audit department and the management of the Company regularly discussed the effectiveness of the Group's risk management and internal control and reported to the Board after reviewed by Audit Committee. As of 31 December 2021, the Board was of the view that the Company did a fruitful job in risk management and internal control during the Reporting Period, and no significant events which may affect the shareholders were identified.

## INSIDE INFORMATION MANAGEMENT

In order to reinforce its management of insiders and external information users and keep inside information confidential so as to prevent insider trading, the Company developed Management System of Inside Information and Insiders to enhance internal control over inside information management.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- strictly kept the inside information of the Company confidential before disclosure, and disclosed it immediately after the Board approved to do so;
- conducted registration of insiders strictly according to the requirements of Management System of Inside Information and Insiders;
- regulated all relevant securities transactions by giving notice to insiders in a timely manner, including registration of specific insiders before the price-sensitive period (including 60 days prior to final results announcement and 30 days prior to interim results announcement), and sending notice of restrictions on trading in shares and prohibitions on insider trading by email at the same time.

During the Reporting Period, there was no disclosure of inside information, and none of the Directors, supervisors or senior management of the Company made use of any inside information to deal with the shares of the Company. No investigation or rectification was conducted or required by the regulatory authorities in this regard.

## CORPORATE GOVERNANCE REPORT

### INTERNAL AUDIT

The Company established the audit department, which is under the guidance of the Audit Committee. The audit department performs independent examination and evaluation on all business operations and management activities of the Company. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects are directly reported to the management and the Audit Committee.

During the Reporting Period, the Company implemented risk-oriented and value adding-targeted audit activities according to the development strategy of the Company, and fully accomplished the annual audit plan, including 3 compliance audits, 2 term-end accountability audits, 2 follow-up audits, 2 special audits and supervision on key projects, 1 special audit, internal control evaluation, post-investment evaluation. Thus, the Company has performed its audit supervision and evaluation duties in a more effective way.

The Company performed supervision and examination on internal control of business units through onsite examinations, off-site audits, special audits and departure/transfer audits, which covered major areas of the Company's operation and management including business, financial management, connected transactions, terms, duty performance and departure of senior management members. Audits focused on strategic, systematic and mechanism risks in main businesses with strong influence over the Company's operation, fast innovative development and new workflow system mode, as well as efficiency of key rules, processes, systems, operations and related management and control. The internal audits addressed the focuses of the Board and regulatory requirements. The problems identified in the audits were continuously tracked and the units/departments responsible for the problems were urged to carry out rectification. The Company conducted examination on overall business and process risks, thereby promoting the sound operation and sustainable development of the Company

During the Reporting Period, internal auditors of the Company actively adapted to the requirements on duty performance under the complex risk management circumstance, accelerated functional transformation and professional innovation and optimized working methods and management mechanisms, thereby improving the effects of the operation of audit projects. Emphasis was placed on integration and analysis of the various types of risk and control information, to enhance auditing service capabilities in terms of problem identification and overall supervision; more information technologies were applied during audits, auditing practice standards were perfected, and expertise of the auditing team was further strengthened, effectively supporting the comprehensive improvement of auditing quality and performance.

## CORPORATE GOVERNANCE REPORT

The audit department mainly completed the following work during the Reporting Period:

Reporting Period	Number of Audit Reports	Number of Leaving/ Transferring Post Audit Reports	Number of Audit Follow-up Reports	Number of Evaluation Reports of Internal Control	Number of Post-investment Audit Reports
Year 2020	4	3	2	1	0
First quarter of 2021	0	0	0	0	0
Second quarter of 2021	2	1	1	0	0
Third quarter of 2021	1	1	1	1	0
Fourth quarter of 2021	3	0	0	0	1
Total	10	5	4	2	1

### INDEPENDENT AUDITORS

Grant Thornton (Special General Partnership) ("Grant Thornton") have written to the Audit Committee confirming that they are independent to the Company and that there is no relationship between Grant Thornton and the Company which may affect their independence. During the Reporting Period, Grant Thornton provided the Company with the following services:

Unit: RMB'000

Services	2021	2020
Audit service	1,100	1,200
Non-audit service	304	330
Total	1,405	1,530

### CONTINUOUS IMPROVEMENT

The Company has made continuous efforts to improve its corporate governance standards with an aim to continue to enhance and, where appropriate, improve our corporate governance practices in light of the evolving regulatory requirements and international development trends based on our extensive experience accumulated for years, so as to realize the best interests of shareholders.



## INVESTORS RELATIONS

In 2021, the Company dedicated its efforts towards improving its performance level, continuously created company value, maintained close contact and communication with investors, and actively communicated the Company's positive development trend to the capital market. As of 31 December 2021, the market capitalization of the Company amounted to HK\$1,188.22 million.

### CLASS OF SHAREHOLDERS AND PUBLIC FLOAT

The Company has issued an aggregate of 2,898,086,091 ordinary shares, of which, 2,123,588,091 are domestic shares and 774,498,000 are overseas listed foreign invested shares (H shares), representing approximately 73.28% and 26.72% of the total issued ordinary shares of the Company respectively. As of the date of this report, based on the information that is publicly available, the public float meets the requirement of minimum public float stated in Rule 8.08 of the Listing Rules.

### RECEPTION ACTIVITIES BY WAY OF RESEARCH

In 2021, the Company positively enhanced interaction with capital market, and conducted positive and frank communication with the investors and analysts through various channels such as annual general meeting, company visits and teleconference to update the investors information on the macro-economic environment, the industry prospect and the operation of the Company, further strengthening their understanding of the industry and the Company and enabling them to accurately evaluate the Company's investment value. In communicating with the investors, the Company earnestly listened to the advice or opinions of the investors and timely reported the questions raised by the investors to the management, with an aim to constantly improve the quality of our work.

### INFORMATION DISCLOSURE

The Company firmly believes that information disclosure is not only the responsibility and obligation to protect investors' interest in accordance with the regulatory provisions for the listed companies, but also an important means to improve transparency, enhance the understanding of the Company by the capital market and establish a smooth communication channel. Since its listing, the Company has strictly complied with the information disclosure requirements under the Listing Rules for listed companies and made information disclosure in a timely, just, fair and accurate manner. In 2021, the Company published 37 corporate communications such as announcements and circulars. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, connected transaction, general meetings.

## INVESTORS RELATIONS

The Company's website ([www.capinfo.com.cn](http://www.capinfo.com.cn)) is one of the important disclosure channel for corporation information, and also an important platform for investors to access information of the Company. In 2021, the Company published the following information through the websites of the Stock Exchange and the Company pursuant to the Listing Rules:

No.	Events	Publish Date
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2020	4 January 2021
2	Continuing Connected Transaction	28 January 2021
3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2021	5 February 2021
4	List of Board of Directors and their Role and Function	22 February 2021
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2021	2 March 2021
6	Notice of Board Meeting	18 March 2021
7	Annual Consolidated Results for the year ended 31 December 2020	30 March 2021
8	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2021	7 April 2021
9	Annual Report 2020	27 April 2021
10	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2021	6 May 2021
11	Proposed Re-election and Election of Directors and Supervisors Proposed Amendments to Remuneration System of Directors and Supervisors	18 May 2021
12	Notice of Annual General Meeting	18 May 2021
13	Proposed Re-election and Election of Directors and Supervisors Proposed Amendments to Remuneration System of Directors and Supervisors Proposed General Mandate to Issue H Shares and Notice of Annual General Meeting	18 May 2021
14	Proxy Form of Annual General Meeting ("Meeting") – 18 June 2021	18 May 2021
15	Connected Transaction BXLE Lease Agreement and Continuing Connected Transaction Property Service Agreement	26 May 2021
16	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2021	1 June 2021
17	Poll Results of Annual General Meeting and Changes of Directors, Supervisors and Members of Board Committees	18 June 2021
18	List of Board of Directors and their Role and Function	18 June 2021
19	2020 Environmental, Social and Governance Report	29 June 2021
20	Discloseable Transaction Subscription of RMB Structured Deposit with Huaxia Bank	29 June 2021
21	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2021	5 July 2021
22	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2021	4 August 2021
23	Notice of Board Meeting	18 August 2021
24	Interim Results Announcement for the Six Months ended 30 June 2021	30 August 2021

## INVESTORS RELATIONS

No.	Events	Publish Date
25	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2021	3 September 2021
26	Resignation of Chairman, Executive Director, Chairman of Nomination Committee and Chairman of Strategy Committee	6 September 2021
27	Change of Chairman, General Manager, Executive Director, Chairman of Nomination Committee And Chairman of Strategy Committee	10 September 2021
28	List of Board of Directors and their Role and Function	10 September 2021
29	2021 Interim Report	16 September 2021
30	Notice of Extraordinary General Meeting	16 September 2021
31	Proposed Election of Executive Director and Notice of Extraordinary General Meeting	16 September 2021
32	Proxy Form of Extraordinary General Meeting ("Meeting") – 11 October 2021	16 September 2021
33	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2021	30 September 2021
34	Poll Results of Extraordinary General Meeting and Election of Executive Director and Appointment of Strategy Committee Member	11 October 2021
35	List of Board of Directors and their Role and Function	11 October 2021
36	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2021	1 November 2021
37	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2021	1 December 2021

## INVESTORS RELATIONS

### DIVIDEND POLICY

The Company always attaches great importance to the shareholders' demand for dividends, and is committed, based on the financial performance of the Company as well as taking into consideration the long-term interests of the Company, the interests of the shareholders as a whole and the sustainable development of the Company, to maintaining a stable dividend policy to ensure the continuity and stability of the relevant policy.

### PROFIT DISTRIBUTION PLAN IN THE REPORTING PERIOD

The Company always attaches great importance on the reasonable investment return for the investors. Profit distribution plan is determined by the Company based on the financial performance to ensure continuity and stability of the dividend distribution policy. In accordance with the requirements of the Articles of Association, unless otherwise approved by special resolution of shareholders, the Company shall only distribute dividends once a financial year.

- I. Pursuant to Article 141 of the Articles of Association, the financial statements are prepared under the accounting standards and regulations of PRC. As confirmed after the auditor, during the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB18.35 million respectively and the basic earnings per share amounted to RMB0.6 cents. The Board of the Company proposed a payment of final dividend of RMB0.29 cents (approximately HK\$0.35 cents, tax inclusive), per share for the year 2021, totaling approximately RMB8.40 million (tax inclusive). The 2021 annual general meeting will be held on 17 June 2022 to consider and approve the proposed payment of final dividend for the year 2021 by the Board.
- II. In accordance with the provisions of Articles 150 and 151 of the Articles of Association, dividends shall be declared and denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB while dividends payable to holders of H shares shall be paid in Hong Kong Dollars. In paying dividends in Hong Kong Dollars, the applicable exchange rate shall be the average of the median price for conversion of RMB to Hong Kong Dollar as announced by the People's Bank of China for the calendar week preceding to the date on which such dividends are declared.
- III. Pursuant to the Law on Corporate Income Tax of the People's Republic of China and its implementation rules which came into effect on 1 January 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividends to non-resident corporate shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be deemed as shares held by non-resident corporate shareholders, therefore the dividends payable on such shares will be subject to the withholding of the corporate income tax. After receipt of the dividends, a non-resident corporate shareholder may, in person or through an agent, apply to the competent tax authorities for preferential treatment under the taxation treaties (arrangements) to enjoy tax refund at the presence of evidence in support of its status as a beneficial owner as defined in the taxation treaties (arrangements).

*INVESTORS RELATIONS*

- IV. Pursuant to the regulation promulgated by the State Administration of Taxation of the PRC (Guo Shui Han [2011] No. 348), the Company is required to withhold and pay the individual income tax for its individual holders of H shares (“Individual H Shareholders”) and the Individual H Shareholders are entitled to certain tax preferential treatments according to the tax treaties between those countries where the Individual H Shareholders are residents and China and the provisions in respect of tax arrangements between mainland China and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the Individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries having agreements with China for an individual income tax rate in respect of dividend of 10%. For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of lower than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發的通知》(國稅發[2009] 124號)). For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of higher than 10% but lower than 20%, the Company will withhold and pay the individual income tax at the agreed effective tax rate. For Individual H Shareholders who are residents of those countries without any taxation agreements with China or having agreements with China for an individual income tax in respect of dividend of 20% or under other situations, the Company will withhold and pay the individual income tax at the tax rate of 20%.

## INVESTORS RELATIONS

The Company will determine the country of domicile of the Individual H Shareholders based on the registered address as recorded in the H share register of members of the Company at 4:30 p.m. on 23 June 2022 and will accordingly withhold and pay the individual income tax. If the country of domicile of the Individual H Shareholder is not the same as the registered address, the Individual H Shareholder shall notify the share registrar of the Company's H shares, Hong Kong Registrars Limited, and provide relevant supporting documents before 4:30 p.m. on Thursday, 23 June 2022 (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong).

- V. The Company will not assume any liability and will not entertain any claims arising from any delay in or inaccurate determination of the status of the shareholders of the Company or any disputes over the withholding and payment of tax. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.

## DIVIDEND DISTRIBUTION INFORMATION FOR PREVIOUS YEAR

Year of distribution	Declaration date	Payment date**	Dividend per share before tax		Total amount of cash dividend paid RMB million	Percentage of net profit attributable to the shareholders of the parent company
			RMB cent	HK\$ cent		
Final dividend for 2007	20 March 2008	15 July 2008	1.40	1.54	40.6	86.13%
Final dividend for 2008	23 March 2009	16 July 2009	0.52	0.59	15.1	28.32%
Interim dividend for 2010	12 August 2010	5 November 2010	2.05	2.35	59.4	77.35%
Final dividend for 2010	21 March 2011	9 August 2011	1.15	1.36	33.3	45.22%
Final dividend for 2011	23 March 2012	13 August 2012	1.20	1.48	34.8	50.36%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	46.31%
Final dividend for 2013	21 March 2014	23 September 2014	1.30	1.65	37.7	46.29%
Final dividend for 2014	27 March 2015	24 September 2015	1.06	1.34	30.7	45.83%
Final dividend for 2015	24 March 2016	23 September 2016	1.57	1.88	45.5	44.81%
Final dividend for 2016	24 March 2017	29 September 2017	1.09	1.23	31.6	28.92%
Final dividend for 2017	23 March 2018	29 September 2018	1.25	1.55	36.2	44.64%
Final dividend for 2018	25 March 2019	27 September 2019	0.97	1.14	28.1	45.25%
Final dividend for 2019	31 March 2020	25 September 2020	1.98	2.17	57.4	44.91%
Final dividend for 2020	30 March 2021	27 September 2021	1.98	2.35	57.4	45.00%
Final dividend for 2021	25 March 2022	26 September 2022	0.29	0.35	8.40	45.00%

### Notes:

\* Net profit attributable to the shareholders of the parent company for the interim period of 2010 represented the sum of net profit attributable to the shareholders of the parent company for the annual period of 2009 and the interim period of 2010.

\*\* The payment date refers to the payment date of dividends paid on H shares. The payment date of dividends paid on the domestic shares is approximate to that of the H shares.

## INVESTORS RELATIONS

### CONVENING OF SHAREHOLDER'S GENERAL MEETINGS

Pursuant to the Articles of Association and Rules of Procedures for General Meetings, the Company specified the convening procedures and voting process of shareholder's general meetings. During the Reporting Period, the Company held annual general meeting in strict compliance with the procedures of notification, convening and holding as stipulated in the relevant laws and regulations, the Listing Rules and the Articles of Association. The details are set out as follows:

	2020 Annual General Meeting	2021 First Extraordinary General Meeting
Date of meeting	18 June 2021	11 October 2021
Place of meeting	Beijing	Beijing
Agenda items	Ordinary resolutions: <ol style="list-style-type: none"> <li>1. To approve the audited consolidated financial report of the Company and its subsidiaries and the directors' and independent auditor's reports for the year ended 31 December 2020</li> <li>2. To approve the supervisors' report of the Company for the year 2020</li> <li>3. To approved the independent non-executive directors' report of the Company for the year 2020</li> <li>4. To approve the re-appointment of Grant Thornton (Special General Partnership) as auditor and to authorize the board of directors of the Company to fix their remuneration</li> <li>5. To approve the declaration of the 2020 final dividend of the Company</li> <li>6. To approve the election of the eighth session of the Board of Directors of the Company</li> <li>7. To approve the election of the eighth session of the Board of Supervisors of the Company</li> <li>8. To approve the amendments to the Remuneration System of Directors and Supervisors of the Company</li> </ol>	Ordinary resolution: <ol style="list-style-type: none"> <li>1. To approve the election of Mr. Zhang Yiqian as executive Director of the eighth session of the Board of Directors of the Company</li> </ol>



## INVESTORS RELATIONS

	2020 Annual General Meeting	2021 First Extraordinary General Meeting
	Special Resolution:	Special Resolution:
9.	To propose to the general meeting to grant the Board of Directors a general mandate to issue additional H Shares of the Company;	Nil
	To consider and, if thought fit, to grant an unconditional and general mandate to the board of directors to determine if the Company shall allot, issue and otherwise deal with additional H Shares after taking into account the market conditions and the needs of the Company with the limit of not exceeding 20% of the total number of issued H Shares of the Company on the date of passing this resolution at the general meeting and authorize the board of directors to consider, approve and execute on behalf of the Company agreements in relation to the issuance, execute legal documents in relation to the issuance which shall be submitted to the relevant regulatory authorities and to fulfill the relevant approval processes; and to carry out all necessary relevant reporting, registration and filing procedures with relevant competent authorities in Hong Kong and/or any other region or jurisdiction (if applicable).	
Number of shareholders or authorized representatives present at the meeting	5	5
Total number of representing shares	2,123,588,091	2,123,876,091
Of total share capital	73.28%	73.29%
For	Ordinary resolutions 100%, Special resolution 100%	Ordinary resolutions 100%
Against	Ordinary resolutions Nil, Special resolution Nil	Ordinary resolutions Nil

## INVESTORS RELATIONS

## ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2020 Annual General Meeting	2021 First Extraordinary General Meeting
<b>Executive Directors</b>		
Mr. Yu Donghui (Party Secretary and Chairman)	✓	
Mr. Zhang Yiqian (Deputy Party Secretary and General Manager)		✓
Mr. Zong Zhaoxing (Deputy Party Secretary)	✓	✓
<b>Non-executive Directors</b>		
Ms. Yan Yi	✓	✓
Ms. Liang Yi		
Mr. Zhou Weihua	✓	
Mr. Shan Yuhu	✓	
Mr. Feng Jianxun	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Yang Xiaohui	✓	✓
Mr. Gong Zhiqiang	✓	
Mr. Cheung, Wai Hung Boswell		✓
Mr. Su Zhongxing		
<b>Resigned or retired Directors</b>		
Ms. Lin Yankun	✓	
Mr. Ma Linxiang	✓	
Mr. Hu Yong		
Mr. Li He		

\* Ms. Lin Yankun resigned as the Chairman, executive Director and Chairman of the Nomination Committee and Strategy Committee on 10 September 2021.

\* Mr. Zhang Yiqian was approved to serve as the executive Director of the Company for a term commencing from the date of approval at the extraordinary general meeting to the date of expiration of the eighth session of the Board.

## INVESTORS RELATIONS

### VOTE BY WAY OF POLL

Pursuant to the provisions in Article 70 of the Articles of Association, the votes for all resolutions at the general meetings will be taken by way of poll. Each share represents one voting right. The announcement of poll results of the annual general meeting will be published at the websites of the Stock Exchange and the Company respectively on the same day after the annual general meeting for the information of the shareholders and investors.

### INVESTORS CALENDAR

Date	Issue
25 March 2022	Announcement of annual results for the year ended 31 December 2021
28 April 2022	Dispatch of 2021 Annual Report
18 May 2022	Dispatch of Notice of 2021 Annual General Meeting and Proxy Form
14 June to 17 June 2022	Closure of register of members (both days inclusive) to ascertain the entitlement of shareholders to attend the general meeting
17 June 2022	Convention of 2021 Annual General Meeting *
23 June 2022	Closure of register of members to ascertain the entitlement to the dividend
23 June 2022	Record date/benchmark date of final dividend
August 2022	Announcement of interim Results for the six months ended 30 June 2022
26 September 2022	Payment of final dividend of 2021

Note\*:

The form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged in person or by mail with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office of the Company at 5th Floor, Longfu Mansion, No. 95 Longfusi Street, Beijing, PRC (for holders of domestic shares) not later than 24 hours before the time scheduled for the annual general meeting or any adjournment thereof.

### SHAREHOLDER SERVICES

- Any matters relating to the H shares in your name, such as transfer of shares, change of name or address and loss of share certificates, should be addressed in writing to the Company's Hong Kong share registrar and transfer office.
- Shareholders are, at any time, welcome to raise questions and request published information of the Company (to the extent it is publicly available) from the Board and the management by sending emails to the E-mail address for Investors Relations: investor@capinfo.com.cn or to Mr. Lu Lei, the vice president and secretary of the Board of the Company by post. Any such letter from the shareholders should be marked with "Shareholders' Communication" on envelope.

# AUDITORS' REPORT



**Grant Thornton**  
**致同**

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GTCSZ (2022) No. 110A004676

To the Shareholders of Capinfo Company Limited,

## I. OPINION

We have audited the financial statements of Capinfo Company Limited (the "Capinfo"), which comprise the consolidated and company balance sheet as at 31 December 2021, the consolidated and company income statement, the consolidated and company cash flows statement, the consolidated and company statement of changes in shareholders' equity for the year 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position as of 31 December 2021, and the consolidated and company financial performance and the consolidated and company cash flows for the year 2021 of Capinfo in accordance with the requirements of Accounting Standards for Business Enterprises.

## II. BASIS FOR OPINION

We conducted our audit in accordance with Auditing Standards for the Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Capinfo in accordance with the China Code of Ethics for Certified Public Accountants 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.

## Auditors' Report

### III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### (I) Revenue recognition

Refer to Note III.24 and Note V.35 to the financial statements.

##### 1. Description

The revenue of main business recognized by Capinfo in 2021 was RMB1,408,622,400 (2020: RMB1,394,158,600), representing a year-on-year increase of RMB14,463,800 and a growth rate of 1.04%. For the system integration and software development business, Capinfo recognized revenue upon receipt of acceptance report from the customer; For businesses such as operation and maintenance and consultation, Capinfo recognized revenue on the straight-line basis over the service period. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of Capinfo, which gives rise to an inherent risk that revenue could be recognized in an incorrect accounting period or could be subject to manipulation to meet targets or expectations.

## Auditors' Report

### 2. Audit procedures

Our audit procedures to the revenue recognition mainly included the following aspects:

- (1) understand and evaluate the design of key internal controls in relation to the management of Capinfo (the management) and revenue recognition, and test the operating effectiveness of key control processes;
- (2) by reviewing the sales contract and interviews with management, to understand and evaluate the policies of revenue recognition, and evaluate whether the accounting policies of revenue recognition applied by the management are in compliance with the requirements of Accounting Standards for Business Enterprises, and whether it is consistent with the actual situation of Capinfo;
- (3) by analysing the revenue growth and gross profit margin to determine whether it has abnormal fluctuations;
- (4) conduct test on sales revenue recognized on or around the balance sheet date on sampling basis and examine relevant documents to access whether the sales revenue is recognized in an appropriate period.
- (5) select revenue contracts on a sample basis and perform the following tests
  - A. examine the terms of control transfer in the sales contracts and the documents confirmed by customers with the supporting documents, such as receipts obtain from simple integration, acceptance reports obtain from complex integration and acceptance services, customer progress confirmations obtain from business development;
  - B. test the accuracy of performance progress, revenue confirmed this year and other data by recalculation;
  - C. confirm the contract amount, settlement amount and the situations of the technical project inspection;

Based on the above audit procedures, we realize that there were supporting evidence for the management to make material judgement and estimates during the revenue recognition.

## Auditors' Report

### (II) Test on goodwill impairment

Refer to Note III.20 and Note V.19 to the financial statements.

#### 1. Description

The original carrying amount of goodwill of Capinfo as of 31 December 2021 was RMB184,597,700 arising from the acquisition of Xiamen Rongtong Information Technology Company Limited. In accordance with the requirements of Accounting Standards of Business Enterprises, Capinfo is required to conduct tests on goodwill impairment on each of the balance sheet date. As of 31 December 2021, the amount of provision for impairment of goodwill was RMB184,597,700, and the book value of goodwill was RMB0. We identified test on goodwill impairment as a key audit matter because of the impact of provision on impairment of goodwill was material to the financial statements, the judgement made by the management on whether the goodwill was impaired was more subjective, and there was inherent uncertainty in estimating future cash flows.

#### 2. Audit procedures

Our audit procedures to test on goodwill impairment mainly included the following aspects:

- (1) understand the key internal control in connection with goodwill impairment, including the adoption of key assumptions, and review and approval of the provision for impairment;
- (2) obtain the assessment report issued by the management's valuation expert, evaluate the competence, professional quality and objectivity of these management's experts, and review the impairment test models and key assumptions involved in the assessment report;
- (3) assess the reasonableness of the impairment test methods, growth rate, and discounted rate used by the management;
- (4) evaluate whether the cash flow forecast prepared by the management is appropriate by comparing the forecasted revenue, cost and other expenses prepared by the management and the related information in the financial budget approved by the board;

## Auditors' Report

- (5) test the calculation of the discounted cash flow model to determine the accuracy of the present value of the future cash flow.

Based on the above audit procedures, we realized that there were supporting evidence for the management to adopt key assumptions and material information during the test on goodwill impairment.

### IV. OTHER INFORMATION

The management of Capinfo is responsible for the other information. The other information comprises all the information included in the Annual Report of 2021, other than the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Capinfo is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Capinfo'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 management either intends to liquidate Capinfo or to cease operations, or has no realistic alternative but to do so.

Those in charge with governance are discharging their responsibilities for overseeing Capinfo's financial reporting process.



## Auditors' Report

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with audit standards 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 financial statements.

As part of an audit in accordance with audit standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the 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.
- (2) 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 internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) conclude on the appropriateness of the management's 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 Capinfo's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause Capinfo to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Auditors' Report

- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Capinfo to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those in charge with governance 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 those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Grant Thornton LLP (special general partnership)	Certified Public Accountants Registered in the People's Republic of China (engagement partner)	Ren Yiyong
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	Certified Public Accountants Registered in the People's Republic of China	Liu Yong
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Beijing, China

25 March 2022

# CONSOLIDATED AND COMPANY BALANCE SHEETS

31 December 2021

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Notes	31 December 2021		31 December 2020	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>Current assets:</b>					
Monetary fund	V.1	1,059,765,313.71	656,324,924.53	848,430,801.62	469,334,975.21
Held-for-trading financial assets	V.2	-	-	200,000,000.00	200,000,000.00
Derivative financial assets		-	-	-	-
Notes receivables	V.3	-	-	285,962.60	-
Accounts receivables	V.4	360,006,142.47	160,937,084.92	327,226,816.12	227,455,509.94
Financing receivables	V.5	3,520,255.80	-	-	-
Prepayments	V.6	114,030,504.63	109,217,673.77	128,861,335.85	127,589,022.53
Other receivables	V.7	67,822,877.72	104,240,880.08	84,982,883.15	110,500,370.95
Incl: Interest receivables		-	-	-	-
Dividend receivables		-	-	-	-
Inventories	V.8	227,464,816.77	92,970,395.55	259,098,343.40	130,492,538.82
Contractual assets	V.9	25,008,553.81	9,558,210.78	68,707,534.99	14,127,053.45
Held-for-sale assets		-	-	-	-
Non-current assets due within one year		-	-	-	-
Other current assets	V.10	10,054,291.65	8,139,738.66	7,278,546.67	2,583,992.41
<b>Total current assets</b>		<b>1,867,672,756.56</b>	<b>1,141,388,908.29</b>	<b>1,924,872,224.40</b>	<b>1,282,083,463.31</b>
<b>Non-current assets:</b>					
Debt investments		-	-	-	-
Other debt investments		-	-	-	-
Long-term receivables		-	-	-	-
Long-term equity investments	V.11	226,772,589.63	417,154,735.48	201,422,225.52	499,602,754.74
Other equity instrument investments	V.12	-	-	-	-
Other non-current financial assets	V.13	15,800,000.00	15,800,000.00	2,000,000.00	2,000,000.00
Investment properties	V.14	26,568,705.44	26,568,705.44	30,189,280.16	30,189,280.16
Fixed assets	V.15	79,241,213.04	64,256,954.61	66,125,383.77	36,255,626.71
Right-of-use assets	V.16	53,270,250.94	46,064,754.16	62,179,042.43	62,179,042.43
Construction in progress		-	-	-	-
Productive biological assets		-	-	-	-
Oil and gas assets		-	-	-	-
Intangible assets	V.17	24,122,190.48	13,226,651.00	24,652,465.53	13,056,432.14
Development expenditures	V.18	3,934,153.91	-	5,557,961.84	-
Goodwill	V.19	-	-	107,798,383.37	-
Long-term deferred expenses	V.20	24,362,677.03	24,240,405.66	20,407,198.38	20,214,439.14
Deferred income tax assets	V.21	56,756,984.92	22,445,979.02	57,919,623.52	23,839,481.93
Other non-current assets		-	-	-	-
<b>Total non-current assets</b>		<b>510,828,765.39</b>	<b>629,758,185.37</b>	<b>578,251,564.52</b>	<b>687,337,057.25</b>
<b>Total assets</b>		<b>2,378,501,521.95</b>	<b>1,771,147,093.66</b>	<b>2,503,123,788.92</b>	<b>1,969,420,520.56</b>

## Consolidated and Company Balance Sheets

31 December 2021

Items	Notes	31 December 2021		31 December 2020	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>Current Liabilities:</b>					
Short-term borrowings		-	-	-	-
Held-for-trading financial liabilities		-	-	-	-
Derivative financial liabilities		-	-	-	-
Notes payables		-	-	-	-
Account payables	V.22	297,220,073.28	193,955,783.20	289,575,272.96	215,126,661.98
Advances received		-	-	-	-
Contractual liabilities	V.23	342,152,923.04	174,916,441.65	420,904,962.17	239,757,080.36
Payroll payables	V.24	90,579,508.43	56,414,183.07	94,628,294.81	61,404,265.53
Tax payables	V.25	42,291,770.03	4,269,949.83	42,066,472.41	10,249,451.07
Other payables	V.26	303,456,376.88	157,866,688.46	279,986,250.26	262,592,122.47
Incl: Interest payables		-	-	-	-
Dividend payables		23,980,284.28	-	-	-
Liabilities held for sale		-	-	-	-
Non-current liabilities due within one year	V.27	82,823,908.16	79,441,789.06	78,924,608.93	78,924,608.93
Other current liabilities		-	-	-	-
<b>Total current liabilities</b>		<b>1,158,524,559.82</b>	<b>666,864,835.27</b>	<b>1,206,085,861.54</b>	<b>868,054,190.34</b>
<b>Non-current liabilities:</b>					
Long-term borrowings		-	-	-	-
Bonds payables		-	-	-	-
Incl: Preferred shares		-	-	-	-
Perpetual debts		-	-	-	-
Lease liabilities	V.28	25,905,792.85	22,316,580.66	37,248,263.81	37,248,263.81
Long-term payables		-	-	-	-
Long-term payroll payables		-	-	-	-
Accrued liabilities		-	-	-	-
Deferred income	V.29	2,069,790.28	569,790.28	9,841,955.52	9,841,955.52
Deferred income tax liabilities	V.21	3,248,391.92	106,167.45	6,145,353.63	-
Other non-current liabilities		-	-	-	-
<b>Total non-current liabilities</b>		<b>31,223,975.05</b>	<b>22,992,538.39</b>	<b>53,235,572.96</b>	<b>47,090,219.33</b>
<b>Total liabilities</b>		<b>1,189,748,534.87</b>	<b>689,857,373.66</b>	<b>1,259,321,434.50</b>	<b>915,144,409.67</b>

## Consolidated and Company Balance Sheets

31 December 2021

Items	Notes	31 December 2021		31 December 2020	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
Shareholders' equity:					
Share capital	V.30	289,808,609.10	289,808,609.10	289,808,609.10	289,808,609.10
Other equity instruments		-	-	-	-
Incl: Preferred shares					
Perpetual debts					
Capital reserves	V.31	298,879,714.63	293,435,155.28	298,844,478.82	293,399,919.47
Less: Treasury stock		-	-	-	-
Other comprehensive income	V.32	-8,443,166.86	-8,443,166.86	-8,443,166.86	-8,443,166.86
Special reserves		-	-	-	-
Surplus reserves	V.33	118,524,908.97	105,254,601.45	110,088,861.18	96,818,553.66
Unallocated profits	V.34	443,449,232.82	401,234,521.03	490,920,537.69	382,692,195.52
Total equity attributable to owners of the parent		1,142,219,298.66	1,081,289,720.00	1,181,219,319.93	1,054,276,110.89
Minority interests		46,533,688.42	-	62,583,034.49	-
<b>Total shareholders' equity</b>		<b>1,188,752,987.08</b>	<b>1,081,289,720.00</b>	<b>1,243,802,354.42</b>	<b>1,054,276,110.89</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,378,501,521.95</b>	<b>1,771,147,093.66</b>	<b>2,503,123,788.92</b>	<b>1,969,420,520.56</b>

Person in charge of the Company:	Person in charge of accounting:	Person in charge of the accounting department:
Yu Donghui	Du Xiaoling	Jia Ruixin

# CONSOLIDATED AND COMPANY INCOME STATEMENTS

Year 2021

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Notes	Amount for current period		Amount for last period	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>I. Total operating income</b>	V.35	1,426,774,385.79	748,258,583.04	1,410,565,420.39	892,595,951.20
Less: Operating costs	V.35	917,162,665.74	422,410,396.45	916,780,184.61	556,005,157.18
Business tax and surcharges		6,065,523.74	3,887,597.69	7,730,672.62	5,157,543.72
Selling expenses	V.36	137,842,107.02	81,237,599.53	125,590,300.43	77,241,479.78
Administrative expenses	V.37	128,606,908.79	78,876,581.72	115,830,122.48	84,205,149.29
R&D expenses	V.38	122,883,204.71	71,621,345.84	100,252,391.83	62,449,311.20
Financial expenses	V.39	-10,571,214.06	-9,006,644.61	-3,862,388.52	-6,341,829.14
Incl: Interest expenses		2,870,433.53	2,545,570.57	2,954,776.05	2,951,366.59
Interest income		14,824,368.80	11,516,342.24	8,933,462.02	7,338,228.04
Add: Other income	V.40	8,372,573.24	7,409,105.29	2,247,084.04	631,758.35
Investment gain (loss is marked by "-")	V.41	33,566,644.68	101,818,083.00	29,658,771.68	28,611,521.68
Incl: Gain from investment in associates and joint ventures		30,037,521.40	30,037,521.40	22,104,688.95	22,104,688.95
Gain on derecognition of financial assets at amortised cost (loss is marked by "-")		-	-	-	-
Net gains on hedging exposure (loss is marked by "-")		-	-	-	-
Gain on changes in fair value (loss is marked by "-")		-	-	-	-
Impairment losses of credit (loss is marked by "-")	V.42	-15,338,925.26	-11,491,853.91	-9,994,429.49	-12,606,138.22
Impairment losses of assets (loss is marked by "-")	V.43	-106,956,767.68	-107,646,958.23	-14,146,587.51	-14,222,493.95
Gain from disposal of assets (loss is marked by "-")	V.44	3,571,693.02	3,571,693.02	146,165.00	-
<b>II. Operating profit (loss is marked by "-")</b>		48,000,407.85	92,891,775.59	156,155,140.66	116,293,787.03
Add: Non-operating income	V.45	94,988.73	91,555.24	1,345,433.97	1,345,411.86
Less: Non-operating expenses	V.46	2,458,808.69	2,458,808.69	2,606,330.33	2,606,330.33
<b>III. Total profit (total loss is marked by "-")</b>		45,636,587.89	90,524,522.14	154,894,244.30	115,032,868.56
Less: Income tax expenses	V.47	15,778,996.01	6,164,044.24	17,618,846.75	10,865,353.35
<b>IV. Net profit (net loss is marked by "-")</b>		29,857,591.88	84,360,477.90	137,275,397.55	104,167,515.21
(I) Items classified by attribution of ownership					
1. Net profit attributable to owners of the parent		18,346,847.52	84,360,477.90	127,490,034.27	104,167,515.21
2. Minority interests		11,510,744.36	-	9,785,363.28	-
(II) Items classified by operation continuity					
1. Net profit from continued operations (net loss is marked by "-")		29,857,591.88	84,360,477.90	137,275,397.55	104,167,515.21
2. Net profit from discontinued operation (net loss is marked by "-")		-	-	-	-

# Consolidated and Company Income Statements

Year 2021

Items	Notes	Amount for current period		Amount for last period	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>V. Other comprehensive income after taxation</b>		-	-	-97,362.87	-97,362.87
Other comprehensive income after taxation attributable to the owners of parent		-	-	-97,362.87	-97,362.87
(I) Other comprehensive income not subject to reclassification to profit or loss		-	-	-97,362.87	-97,362.87
Incl: 1. Changes arising on remeasurement of defined benefit plans		-	-	-	-
2. Share in the other comprehensive income not to be reclassified into the profit or loss under the equity method		-	-	-	-
3. Fair value changes of other equity instrument investments		-	-	-97,362.87	-97,362.87
4. Fair value changes of credit risks		-	-	-	-
5. Other		-	-	-	-
(II) Other comprehensive income to be reclassified to profits and loss		-	-	-	-
Incl: 1. Share in the other comprehensive income to be reclassified into the profit or loss under the equity method		-	-	-	-
2. Fair value changes of other debt investments		-	-	-	-
3. Amount of financial assets reclassified into other comprehensive income		-	-	-	-
4. Provision for the credit impairment of other debt investments		-	-	-	-
5. Cash flows hedging reserve (Effective part of profits or losses on cash flow hedge)		-	-	-	-
6. Conversion difference of foreign currency statement		-	-	-	-
7. Other		-	-	-	-
Other comprehensive income attributable to the minority shareholders after taxation, net		-	-	-	-
<b>VI. Total comprehensive income</b>		<b>29,857,591.88</b>	<b>84,360,477.90</b>	<b>137,178,034.68</b>	<b>104,070,152.34</b>
Total comprehensive income attributable to the owners of parent		<b>18,346,847.52</b>	<b>84,360,477.90</b>	<b>127,392,671.40</b>	<b>104,070,152.34</b>
Total comprehensive income attributable to the owners of parent		<b>11,510,744.36</b>	<b>-</b>	<b>9,785,363.28</b>	<b>-</b>
<b>VII. Earnings per share:</b>					
(I) Basic earnings per share		<b>0.006</b>		<b>0.044</b>	
(II) Diluted earnings per share		<b>0.006</b>		<b>0.044</b>	

Person in charge of the Company: Person in charge of accounting:

Yu Donghui

Du Xiaoling

Person in charge of the accounting department:

Jia Ruixin

# CONSOLIDATED AND COMPANY CASH FLOWS STATEMENTS

Year 2021

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Notes	Amount for current period		Amount for last period	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>I. Cash flows from operating activities:</b>					
Cash received from sales of goods and provision of labor services		1,444,669,165.07	783,150,234.55	1,443,231,953.01	897,500,301.08
Tax refunds received		3,433.10	-	28,546.60	-
Cash received relating to other operating activities		35,551,737.88	21,887,584.91	38,580,188.82	26,588,267.73
<b>Sub-total of cash inflows from operating activities</b>		<b>1,480,224,336.05</b>	<b>805,037,819.46</b>	<b>1,481,840,688.43</b>	<b>924,088,568.81</b>
Cash paid for purchase of goods and engagement of labor services		729,610,981.97	330,799,696.61	686,397,035.32	441,662,081.13
Cash paid to and on behalf of employees		444,683,836.31	255,821,501.06	382,319,590.93	241,186,146.00
Payments of all types of taxes		57,200,787.19	34,721,934.27	67,228,659.92	39,829,086.63
Cash paid relating to other operating activities		57,698,008.18	100,155,653.84	59,667,686.14	35,837,437.62
<b>Sub-total of cash outflows from operating activities</b>		<b>1,289,193,613.65</b>	<b>721,498,785.78</b>	<b>1,195,612,972.31</b>	<b>758,514,751.38</b>
<b>Net cash flows from operating activities</b>		<b>191,030,722.40</b>	<b>83,539,033.68</b>	<b>286,227,716.12</b>	<b>165,573,817.43</b>
<b>II. Cash flows from investing activities:</b>					
Cash received from return of investment		-	-	-	-
Cash received from investment gain		4,739,461.67	72,990,899.99	4,775,295.30	4,775,295.30
Net cash received from disposal of fixed assets, intangible assets and other longterm assets		192.00	192.00	146,165.00	-
Net cash received from disposal of subsidiaries and other operating units		-	-	-	-
Cash received relating to other investing activities		243,529,123.28	243,529,123.28	687,554,082.73	596,506,832.73
<b>Sub-total of cash inflows from investing activities</b>		<b>248,268,776.95</b>	<b>316,520,215.27</b>	<b>692,475,543.03</b>	<b>601,282,128.03</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		76,592,335.18	64,672,370.15	44,398,651.31	27,568,207.04
Cash paid for investment		13,800,000.00	13,800,000.00	-	5,000,000.00
Net cash paid for acquisition of subsidiaries and other operating units		-	-	-	-
Cash paid relating to other investing activities		40,000,000.00	40,000,000.00	880,000,000.00	790,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>130,392,335.18</b>	<b>118,472,370.15</b>	<b>924,398,651.31</b>	<b>822,568,207.04</b>
<b>Net cash flows from investing activities</b>		<b>117,876,441.77</b>	<b>198,047,845.12</b>	<b>-231,923,108.28</b>	<b>-221,286,079.01</b>



## Consolidated and Company Cash Flows Statements

Year 2021

Items	Notes	Amount for current period		Amount for last period	
		CONSOLIDATED	COMPANY	CONSOLIDATED	COMPANY
<b>III. Cash flows from financing activities:</b>					
Cash received from investors		-	-	15,486,328.00	-
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		-	-	15,486,328.00	-
Cash received from obtaining borrowings		-	-	-	-
Cash received relating to other financing activities		-	-	-	-
<b>Sub-total of cash inflows from financing activities</b>		-	-	15,486,328.00	-
Cash paid for repayment of debts		-	-	-	-
Cash paid for distribution of dividends, profits or payment of interests		61,273,938.95	57,694,132.80	55,327,624.74	55,327,624.74
Including: Dividends and profits paid to minority shareholders by subsidiaries		-	-	-	-
Cash paid relating to other financing activities		35,975,225.10	32,488,275.36	34,581,613.02	31,437,252.16
<b>Sub-total of cash outflows from financing activities</b>		97,249,164.05	90,182,408.16	89,909,237.76	86,764,876.90
<b>Net cash flows from financing activities</b>		<b>-97,249,164.05</b>	<b>-90,182,408.16</b>	<b>-74,422,909.76</b>	<b>-86,764,876.90</b>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>					
		-1,365,092.90	-	-4,061,294.90	-26,434.78
<b>V. Net increase in cash and cash equivalents</b>	V.48	<b>210,292,907.22</b>	<b>191,404,470.64</b>	<b>-24,179,596.82</b>	<b>-142,503,573.26</b>
Add: Cash and cash equivalents at beginning of period	V.48	827,104,162.78	450,855,490.82	851,283,759.60	593,359,064.08
<b>VI. Cash and cash equivalents at end of period</b>	V.48	<b>1,037,397,070.00</b>	<b>642,259,961.46</b>	<b>827,104,162.78</b>	<b>450,855,490.82</b>

Person in charge of the Company:	Person in charge of accounting:	Person in charge of the accounting department:
Yu Donghui	Du Xiaoling	Jia Ruixin

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2021

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Amount for current period						
	Equity attributable to shareholders of the parent						Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	Minority interests	
I. Closing balance of last year	289,808,609.10	298,844,478.82	-8,443,166.86	110,088,861.18	490,920,537.69	62,583,034.49	1,243,802,354.42
Add: changes in accounting policies	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of current year	289,808,609.10	298,844,478.82	-8,443,166.86	110,088,861.18	490,920,537.69	62,583,034.49	1,243,802,354.42
III. Increase/decrease for current year ("-" for decrease)	-	35,235.81	-	8,436,047.79	-47,471,304.87	-16,049,346.07	-55,049,367.34
(I) Total comprehensive income	-	-	-	-	18,346,847.52	11,510,744.36	29,857,591.88
(II) Shareholder's contributions and withdrawals of capital	-	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-
3. Share-based amount included in shareholders' equity	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(III) Profits distribution	-	-	-	8,436,047.79	-65,818,152.39	-27,560,090.43	-84,942,195.03
1. Appropriation to surplus reserves	-	-	-	8,436,047.79	-8,436,047.79	-	-
2. Distributions to shareholders	-	-	-	-	-57,382,104.60	-27,560,090.43	-84,942,195.03
3. Others	-	-	-	-	-	-	-
(IV) Internal carried-forward shareholders' equity	-	-	-	-	-	-	-
1. Capital reserve to increase share capital	-	-	-	-	-	-	-
2. Surplus reserve to increase share capital	-	-	-	-	-	-	-
3. Surplus reserve to cover loss	-	-	-	-	-	-	-
4. Transfer of changes in balance of the defined benefit plans to retained earnings	-	-	-	-	-	-	-
5. Other comprehensive income carried over to retained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-
1. Withdrawal during the period	-	-	-	-	-	-	-
2. Used during the period	-	-	-	-	-	-	-
(VI) Others	-	35,235.81	-	-	-	-	35,235.81
IV. Closing balance of current year	289,808,609.10	298,879,714.63	-8,443,166.86	118,524,908.97	443,449,232.82	46,533,688.42	1,188,752,987.08

Person in charge of the Company: Yu Donghui  
 Person in charge of accounting: Du Xiaoling  
 Person in charge of the accounting department: Jia Ruixin

# Consolidated Statement of Changes in Equity

Year 2021

Items	Amount for last period						Total shareholders' equity
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	Minority interests	
I. Closing balance of last year	289,808,609.10	293,275,785.92	-8,345,803.99	99,672,109.66	431,229,319.27	42,755,902.56	1,148,395,922.52
Add: changes in accounting policies	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of current year	289,808,609.10	293,275,785.92	-8,345,803.99	99,672,109.66	431,229,319.27	42,755,902.56	1,148,395,922.52
III. Increase/decrease for current year ("-" for decrease)	-	5,568,692.90	-97,362.87	10,416,751.52	59,691,218.42	19,827,131.93	95,406,431.90
(I) Total comprehensive income	-	-	-97,362.87	-	127,490,034.27	9,785,363.28	137,178,034.68
(II) Shareholder's contributions and withdrawals of capital	-	-	-	-	-	15,486,328.00	15,486,328.00
1. Ordinary shares invested by shareholders	-	-	-	-	-	15,486,328.00	15,486,328.00
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-
3. Share-based amount included in shareholders' equity	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(III) Profits distribution	-	-	-	10,416,751.52	-67,798,815.85	-	-57,382,064.33
1. Appropriation to surplus reserves	-	-	-	10,416,751.52	-10,416,751.52	-	-
2. Distributions to shareholders	-	-	-	-	-57,382,064.33	-	-57,382,064.33
3. Others	-	-	-	-	-	-	-
(IV) Internal carried-forward shareholders' equity	-	-	-	-	-	-	-
1. Capital reserve to increase share capital	-	-	-	-	-	-	-
2. Surplus reserve to increase share capital	-	-	-	-	-	-	-
3. Surplus reserve to cover loss	-	-	-	-	-	-	-
4. Transfer of changes in balance of the defined benefit plans to retained earnings	-	-	-	-	-	-	-
5. Other comprehensive income carried over to retained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-
1. Withdrawal during the period	-	-	-	-	-	-	-
2. Used during the period	-	-	-	-	-	-	-
(VI) Others	-	5,568,692.90	-	-	-	-5,444,559.35	124,133.55
IV. Closing balance of current year	289,808,609.10	298,844,478.82	-8,443,166.86	110,088,861.18	490,920,537.69	62,583,034.49	1,243,802,354.42

Person in charge of the Company: Yu Donghui  
 Person in charge of accounting: Du Xiaoling  
 Person in charge of the accounting department: Jia Ruixin

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2021

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Amount for current period					Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	
I. Closing balance of last year	289,808,609.10	293,399,919.47	-8,443,166.86	96,818,553.66	382,692,195.52	1,054,276,110.89
Add: changes in accounting policies						-
Corrections to previous errors						-
Others						-
II. Opening balance of current year	289,808,609.10	293,399,919.47	-8,443,166.86	96,818,553.66	382,692,195.52	1,054,276,110.89
III. Increase/decrease for current year ("-" for decrease)	-	35,235.81	-	8,436,047.79	18,542,325.51	27,013,609.11
(I) Total comprehensive income					84,360,477.90	84,360,477.90
(II) Shareholder's contributions and withdrawals of capital	-	-	-	-	-	-
1. Ordinary shares invested by shareholders						-
2. Capital invested by other equity instrument holders						-
3. Share-based amount included in shareholders' equity						-
4. Others						-
(III) Profits distribution	-	-	-	8,436,047.79	-65,818,152.39	-57,382,104.60
1. Appropriation to surplus reserves				8,436,047.79	-8,436,047.79	-
2. Distributions to shareholders					-57,382,104.60	-57,382,104.60
3. Others						-
(IV) Internal carried-forward shareholders' equity	-	-	-	-	-	-
1. Capital reserve to increase share capital						-
2. Surplus reserve to increase share capital						-
3. Surplus reserve to cover loss						-
4. Transfer of changes in balance of the defined benefit plans to retained earnings						-
5. Other comprehensive income carried over to retained earnings						-
6. Others						-
(V) Special reserves	-	-	-	-	-	-
1. Withdrawal during the period						-
2. Used during the period						-
(VI) Others		35,235.81	-			35,235.81
IV. Closing balance of current year	289,808,609.10	293,435,155.28	-8,443,166.86	105,254,601.45	401,234,521.03	1,081,289,720.00

Person in charge of the Company:

Yu Donghui

Person in charge of accounting:

Du Xiaoling

Person in charge of the accounting department:

Jia Ruixin

## Company Statement of Changes in Equity

Year 2021

Items	Amount for last period					Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	
I. Closing balance of last year	289,808,609.10	293,275,785.92	-8,345,803.99	86,401,802.14	346,323,496.16	1,007,463,889.33
Add: changes in accounting policies						-
Corrections to previous errors						-
Others						-
II. Opening balance of current year	289,808,609.10	293,275,785.92	-8,345,803.99	86,401,802.14	346,323,496.16	1,007,463,889.33
III. Increase/decrease for current year ("+" for increase)	-	124,133.55	-97,362.87	10,416,751.52	36,368,699.36	46,812,221.56
(I) Total comprehensive income					104,167,515.21	104,167,515.21
(II) Shareholder's contributions and withdrawals of capital	-	-	-	-	-	-
1. Ordinary shares invested by shareholders						-
2. Capital invested by other equity instrument holders						-
3. Share-based amount included in shareholders' equity						-
4. Others						-
(III) Profits distribution	-	-	-	10,416,751.52	-67,798,815.85	-57,382,064.33
1. Appropriation to surplus reserves				10,416,751.52	-10,416,751.52	-
2. Distributions to shareholders					-57,382,064.33	-57,382,064.33
3. Others						-
(IV) Internal carried-forward shareholders' equity	-	-	-	-	-	-
1. Capital reserve to increase share capital						-
2. Surplus reserve to increase share capital						-
3. Surplus reserve to cover loss						-
4. Transfer of changes in balance of the defined benefit plans to retained earnings						-
5. Other comprehensive income carried over to retained earnings						-
6. Others						-
(V) Special reserves	-	-	-	-	-	-
1. Withdrawal during the period						-
2. Used during the period						-
(VI) Others		124,133.55	-97,362.87			26,770.68
IV. Closing balance of current year	289,808,609.10	293,399,919.47	-8,443,166.86	96,818,553.66	382,692,195.52	1,054,276,110.89

Person in charge of the Company:

Yu Donghui

Person in charge of accounting:

Du Xiaoling

Person in charge of the accounting department:

Jia Ruixin

# NOTES TO THE FINANCIAL STATEMENTS

Year 2021 (All amounts in RMB unless otherwise stated)

## I. COMPANY GENERAL INFORMATION

### 1. Company Profile

Capinfo Company Limited (hereinafter referred to as the “Company”) is a joint stock limited company incorporated in Beijing, approved by the “Notice on Approval of Establishment of Capinfo Company Limited” of the Beijing Municipal People’s Government (J.Z.H.Z. [2000] No.74) and approved to register with Beijing Administration for Industry and Commerce on 14 July 2000. The uniform social credit code is 911100006336972074. All H shares issued by the Company have been listed for trading on Hong Kong Stock Exchange. The Company is headquartered at No. 11 Xi San Huan Zhong Road, Haidian District (The north gate of the central television tower), Beijing.

The Company has established the corporate governance structure consisting of the General Meeting, Party Committee, Board of Directors and Board of Supervisors. Currently, the Company has business platforms including Social Security Segment, Private Network Segment, Housing Provident Fund Segment, and Governance Segment; management platforms including Comprehensive Management Department, Financial Management Department, Planning Management Department, Quality Management Department and Human Resources Department; technology platform, which includes Capinfo Research Institute; and investment platform, which is Investment Department. The Company has twelve branches namely Guangzhou Branch, Chongqing Branch, Yanqing Branch, Xiongan Branch and Shunyi Branch, Shanghai Branch, Tongzhou Branch, Daxing Branch, Hubei Branch, Dongcheng Branch, Anhui Branch and Hebei Branch which was newly established in the current period.

The Company and its subsidiaries (hereinafter referred to as the “Group”) belong to software industry and are principally engaged in online application service and system integration. The business scope includes the provision of information source service, e-commerce service, network interconnection, computer equipment and hardware and software, technical development, technical consulting, technical service and technical training of inter-networking, communication hardware and software products, integration and agency of information and network system, sales of computer peripheral equipment, proprietary and agency of all kinds of goods and technologies import and export business (excluding those restricted or prohibited by the state from import and export), professional contracting and sale agency of entrance tickets. (Enterprises can independently choose their own business projects and carry out business activities under the laws; for the above items subject to the administrative approval, relevant approval must be obtained prior to operation; enterprises shall not carry out business activities prohibited and restricted by the city’s industrial policy.)

The financial statements and notes to the financial statements have been approved on 25 March 2022 by the Board of Directors of the Company.

# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## I. COMPANY GENERAL INFORMATION (CONTINUED)

### 2. Scope of consolidation of the financial statements

During the period, there are aggregately 7 accounting units consolidated into financial statements, including the Company, Capinfo (Hong Kong) Co., Ltd (hereinafter referred to as "Capinfo Hong Kong"), Capinfo Technology Development Co., Ltd (hereinafter referred to as "Capinfo Technology"), Beijing Parking Management Centre Co., Ltd (hereinafter referred to as "Parking Management"), Xiamen Rito Info Technology Co. Ltd (hereinafter referred to as "Rito Info"), Capinfo Medical United Information Technology Company Limited\* (hereinafter referred to as "Capinfo Medical United") and Capinfo Cloud Technology Co., Ltd.\* (hereinafter referred to as "Capinfo Cloud Technology"). Details are set out in Note VII. Equity in other entities.

## II. PREPARATION BASIS FOR FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the "China Accounting Standards for Business Enterprises" and their application guidelines, interpretations and other relevant requirements (collectively, CASBE) issued by the Ministry of Finance of the PRC.

The financial statements are presented on a going concern basis.

The Group's accounting is measured on an accrual accounting basis. Except for certain financial instruments, the financial statements are measured based on historical cost. In case of asset impairment, impairment provisions shall be made accordingly under relevant regulations.

New Hong Kong Companies Ordinance took effect in 2015. The financial statements have been adjusted according to the requirements of the Hong Kong Companies Ordinance.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the depreciation of fixed assets, amortization of intangible assets, capitalization condition of R&D expenses, and income recognition policies according to its own production and operation characteristics. Details about accounting policies are set out in Note III.15, Note III.18, Note III.19 and Note III.24.

### 1. Declaration of compliance with the CASBE

The financial statements are in compliance with the requirement of CASBE, which gives a true and complete view of the consolidated and company financial position as at 31 December 2021, and the consolidated and company operating results and consolidated cash flows for the year then ended.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

#### 3. Operating Cycle

The operating cycle of the Group is 12 months.

#### 4. Functional currency

The Company and its domestic subsidiaries use RMB as its functional currency. All amounts in this report are expressed in RMB unless otherwise stated.

#### 5. Accounting of business combinations involving entities under and not under common control

##### (1) Business combination involving entities under common control

For the business combination involving entities under common control, the assets and liabilities that are obtained in the business combination shall be measured at their original carrying amounts at the combination date as recorded by the combined party, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of assets paid shall be adjusted to capital reserve, and if the capital reserve is not sufficient to absorb the difference, any excess difference shall be adjusted to the retained earnings.

Business combinations involving enterprises under common control and achieved in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost and the carrying amount of consideration paid for the combination is adjusted to the capital reserve, if the capital reserve is not sufficient to absorb the difference, and the excess difference shall be adjusted to retained earnings.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 5. Accounting of business combinations involving entities under and not under common control (continued)

##### (1) Business combination involving entities under common control (continued)

Business combinations involving enterprises under common control and achieved in stages (continued)

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value as recorded by the enterprise at combination date, except for adjustments of different accounting policies. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve, if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment held by the combination party, the recognized profit or loss, comprehensive income and other change of shareholding's equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

##### (2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets, liabilities or contingent liabilities of acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its cost minus accumulative impairment provision; where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 5. Accounting of business combinations involving entities under and not under common control (continued)

##### (2) Business combination involving entities not under common control (continued)

Business combinations involving enterprises not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the purchase date recognized under equity method shall be compliance with the method when the acquire disposes the related assets or liabilities. Shareholder's equity due to the changes of other shareholder's equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held by the entity prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognized in other comprehensive income shall be transferred to retained earnings when accounted for using cost method.

In the consolidation financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date; the cost of equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and book value shall be recognized as investment income or loss for the current period. Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, except for other comprehensive income from the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

##### (3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 6. Method of preparing consolidated financial statements

##### (1) Scope of consolidation

The scope of consolidation of consolidated financial statements is on the basis of control. Control means that the Company has the power over the investee, enjoys variable returns by participating in relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of its return. Control refers to the Company's right over the investee to enjoy variable returns through involvement in the investee and have the ability to exert the right to affect those returns. A subsidiary is the entity controlled by the Company (including enterprises, a divided part of investees and structured entities that are controlled by the Company).

##### (2) Method of preparing of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, and intra-group transactions and balances shall be offset.

A subsidiary acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation from the beginning of the combination date, the subsidiary's income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date.

A subsidiary acquired through a business combination involving entities not under common control in the reporting period, the subsidiary's income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of a subsidiary's equity not attributable to the parent is treated as minority interests and presented separately in the consolidated balance sheet within shareholders' equity. The portion of a subsidiary's profit or loss attributable to the minority interests presented in the consolidated statement of comprehensive income as "minority interests". The portion of a subsidiary's losses that exceeds to the beginning minority interests in the shareholders' equity, the remaining balance still offset the minority interests.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 6. Method of preparing consolidated financial statements (continued)

##### (3) Purchase of the minority interests in the subsidiary

The difference between the long-term equity investment costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio is adjusted to the capital reserve in the consolidated balance sheet, if the capital reserve is not sufficient, any excess is adjusted to retained earnings. The difference between the disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation is the same.

##### (4) Treatment of loss of control of subsidiaries

When an enterprise loses control over the investee due to disposing of part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; the cash received in disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date and goodwill should be recorded in profit or loss for current period of loss of control.

Other comprehensive income related with the acquiree's equity held prior to acquisition date shall be transferred to investment income or loss for current period at acquisition date, except for other comprehensive income from the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

##### (5) Treatment for disposal of subsidiaries in stages until the loss of control

If the clauses, conditions and economic impact of each transaction through disposal of subsidiaries in stages until the loss of control satisfy one or more following criteria, the Company will consider these transactions as a package deal for the accounting treatment:

- ① These transactions are entered into simultaneously or after the effects on each other were considered;
- ② All these transactions can only achieve one complete business result;

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 6. Method of preparing consolidated financial statements (continued)

##### (5) Treatment for disposal of subsidiaries in stages until the loss of control (continued)

- ③ The occurrence of one transaction depends upon at least one of other transactions;
- ④ A transaction alone is not economical; however, it becomes economical when considered together with other transactions.

In individual financial statements, where the transactions of disposal of equity investment in a subsidiary until control is lost do not constitute a package deal, the difference between the related long term equity investment for each disposal of equity interest and the consideration received are recognized in the investment income in the current period; where the transactions of disposal of equity investment in a subsidiary until the control is lost do constitute a package deal, the difference between the disposal before the loss of control and the carrying amount of the long-term equity investment is recognized as other comprehensive income first, and shall be transferred to the profit or loss for the current period when the control is lost.

In the consolidated financial statements, for the disposal subsidiaries in stages until the loss of control, the measurement of the remaining equity interest and treatment of the loss of disposal is conducted in accordance with "Treatment of loss of control of subsidiaries" as described above. The difference between the consideration received and the corresponding proportion of the subsidiary's net assets (subsequently measured since the acquisition date) in each transaction prior to the loss of control is recognized respectively in the following ways:

- ① Belonging to a package deal: recognized in other comprehensive income. It is recognized in the profit or loss in the current period when the entity loses the control.
- ② Not belonging to a package deal: recognized in capital reserve as equity. It shouldn't be recognized in the profit or loss in the current period when the entity loses the control.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 7. Standard of determining cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### 8. Foreign currency transactions

If foreign currency transactions of the Group occur, they are translated into the amount of functional currency by applying the spot exchange rate at the dates of the transactions.

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are included in profit or loss for the current period or other comprehensive income based on the nature of the non-monetary items.

#### 9. Financial instruments

A financial instrument is the contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (1) Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognized when the Group becomes one party of financial instrument contracts.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (1) Recognition and Derecognition of financial instruments (continued)

If one of the following conditions is met, the financial assets are terminated:

- ① The right of the contract to receive the cash flows of financial assets terminates;
- ② The financial asset has been transferred and meet the following conditions for derecognition.

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation shall be derecognized entirely or partially. Where the Group (debtor) signs an agreement with the creditor in which the existing financial liabilities are replaced by means of undertaking new financial liabilities and the contractual terms of the new financial liabilities and those for existing financial liabilities are inconsistent, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized.

If the financial assets are traded regularly, they are recognized and derecognized at the transaction date.

##### (2) Classification and measurement of financial assets

The Group's financial assets are, upon initial recognition, classified into the following three categories according to the business model for managing financial assets and the characteristics of contractual cash flow: financial assets measured at amortized cost, financial assets at fair value through other consolidated income and financial assets at fair value through profit or loss.

Financial assets measured at amortized cost

The Group classifies financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at amortized cost:

- The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (2) Classification and measurement of financial assets (continued)

After initial recognition, these financial assets are measured at amortized cost by using the effective interest method. Gains or losses resulted from financial assets which are measured at amortized cost and not part of any hedging relationship are included in the profit and loss of the current period when derecognized, amortized using the effective interest method or impairments are recognized.

Financial assets at fair value through other comprehensive income

The Group classifies financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at fair value through other comprehensive income:

- The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows as well as to dispose of the financial assets;
- The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

After initial recognition, these financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated by the effective interest method are included in current profit or loss, while other gains or losses are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to profit and loss of the current period.

Financial assets at fair value through profit or loss

Except for the abovementioned financial assets measured at amortized costs and fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through profit or loss. At initial recognition, to eliminate or significantly minimize accounting mismatch, financial assets originally measured at amortized costs or fair value through other comprehensive income can be irrevocably designated to be measured at fair value through profit or loss.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (2) Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss (continued)

After initial recognition, these financial assets are subsequently measured at fair value. Gains or losses resulted therefrom (including interests and dividend income) are included in the profit and loss of the current period, unless such financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the Group may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition.

After initial recognition, these financial assets are subsequently measured at fair value. Dividend income upon the satisfaction is included in profit or loss while other gains or losses and changes of fair value are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows or sale of financial assets, or both. The Group determines the business model for managing financial assets based on objective facts and based on specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. In particular, the principal represents the fair value of the financial assets at initial recognition while the interest includes the consideration of the time value of money, the credit risk associated with the outstanding principal amount for a specific period and other basic borrowing risks, costs and profits. In addition, the Group evaluates the contractual terms that may result in a change in the time distribution or amount of financial asset contractual cash flows to determine whether it meets the requirements of the above contractual cash flow characteristics.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (2) Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Only when the Group changes its business model of managing financial assets can all affected financial assets be reclassified on the first day of the first reporting period after such changes have been made, otherwise the financial assets may not be reclassified after initial recognition.

Except for accounts receivables which do not have significant financing components, financial assets are measured at fair value at initial recognition. For financial assets measured at fair value through profit or loss, the relevant transaction costs are directly recognized in profit and loss of the current period. In respect of accounts receivable that do not have significant financing components, the Group performs initial measurement on the transaction price determined in accordance with the accounting policies in Note III.24.

##### (3) Classification and measurement of financial liabilities

The financial liabilities of the Group are classified as the following upon initial recognition: Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, and financial liabilities measured at amortized cost. For the financial liabilities not classified as the financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, the relevant transaction expenses are charged to its initially recognized amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include tradable financial liabilities and those designated as financial liabilities at fair value through profit or loss upon initial recognition. Such financial assets are subsequently measured at fair value, all gains and losses from changes in fair value and dividend and interest income related to these financial liabilities are recognized in profit or loss for the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured according to the amortized cost using effective interest method, and the profit or loss from its derecognition or amortization is recorded into the profit and loss for the current period.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (3) Classification and measurement of financial liabilities (continued)

Difference between financial liabilities and equity instruments

Financial liabilities refer to the liabilities meeting one of the following criteria:

- ① The contractual obligation to pay cash or deliver other financial assets to other parties;
- ② The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- ③ The non-derivative instrument contract which must or may be settled through the enterprise's own equity instrument and based on which the enterprise will deliver a variable quantity of its own equity instruments;
- ④ The derivative instrument contract which must or may be settled through the enterprise's own equity instrument, except for the derivative instrument contract based on which the enterprise exchange fixed amount of its own equity instruments for fixed amount cash or other financial assets.

Equity instrument refers to the contract that proves the ownership of the remaining equity in an enterprise's assets after netting of all the liabilities.

If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instruments the financial liability of the Group, while in the latter case, it is the equity instrument of the Group.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (4) Derivative financial instruments and embedded derivatives

The derivative financial instruments include forward foreign exchange contract, currency swap contract, interest rate swap contract and foreign exchange option contract. It is initially measured at the fair value as at the signing date of the derivative transaction contract and subsequently measured according to its fair value. The derivative financial instrument with positive fair value is recognized as an asset, while the derivative financial instrument with negative fair value is recognized as a liability. The profit or loss from the change of fair value which does not comply with the hedging accounting rules is directly recorded into the profit and loss for the current period.

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial assets, and the hybrid instrument is not measured at fair value and its changes are included in the profit and loss for the current period for accounting purposes, there is no close relation between the embedded derivatives and the main contract in terms of economic features and risks, and the instrument that has the same condition with the embedded derivatives and exists independently meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as the financial assets or financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period.

##### (5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.10.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

- Financial assets measured at amortized cost;
- Debt investments that are measured at fair value through other comprehensive income;
- Contractual assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- Lease receivables;
- Financial guarantee contracts, except for those carried at fair value through profit or loss, those which the transfer of financial assets does not satisfy the condition of derecognition or those formed as a result of continued involvement of the transferred financial assets.

##### Measurement of expected credit loss (ECLs)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company recognizes expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable and the cash flows expected to be received, taking into account reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets

###### Measurement of expected credit loss (ECLs) (continued)

The Group respectively measures the expected credit losses of financial instruments by different stages. If the credit risk of the financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Group would measure loss allowance according to the future 12-month expected credit losses. If the credit risk of a financial instrument has significantly increased since the initial recognition but not yet credit-impaired, it would be classified in Stage 2, the Group would measure loss allowance according to the lifetime expected credit losses of that instrument. If the financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Group would measure loss allowance according to the lifetime expected credit losses of that instrument.

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition, and measures loss allowance according to the 12-month expected credit losses.

Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. Future 12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months).

The maximum period considered when measuring ECLs is the maximum contractual period over which the Company are exposed to credit risk (including the option to renew).

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECLs) (continued)

For the financial instruments classified in Stage 1 and Stage 2 and those with lower credit risk, the Group would measure the interest income by the book balance (that is, without deduction for credit allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Group would measure the interest income by the amortized cost (that is, book balance less impairment allowance) and the effective interest rate.

Note receivables, trade receivables and contractual assets

For notes and accounts receivables and contractual assets, regardless whether it has significant financing components or not, the Group has been measured its loss allowance at an amount equal to lifetime expected credit losses.

The Group classifies portfolios for notes and account receivables, contractual assets and lease receivables based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

##### A. Notes receivables

- Notes receivables portfolio 1: Bankers' acceptance notes
- Notes receivables portfolio 2: Commercial acceptance notes

##### B. Trade receivables and contractual assets

- Trade receivables portfolio 1: E-Government business
- Trade receivables portfolio 2: E-Commerce

For accounts receivables classified as portfolio, the Group prepares a table of concordance between the aging of accounts receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions to measure expected credit losses.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets (continued)

Note receivables, trade receivables and contractual assets (continued)

For accounts receivables and contractual assets classified as portfolio, the Group is based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions to measure expected credit losses.

Other receivables

The Group classifies certain portfolios for other receivables based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- Other receivables portfolio 1:Low-risk portfolio
- Other receivables portfolio 2:Other portfolio

For other receivables classified as portfolio, the Group is based on the risk exposures of default and lifetime expected credit losses rate to measure expected credit losses.

Debt investments and other debt investments

For debt investments and other debt investments, the Group is based on the nature of investments, counterparties and various types of risk exposures, and the risk exposures of default and future 12-month or lifetime expected credit losses rate to measure expected credit losses.

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Group determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets (continued)

Assessment of significant increase in credit risk (continued)

When determine whether credit risks have significantly increased since the initial recognition, the Group considers information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. The information considered by the Group including:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Group.

Depending on the nature of the financial instruments, the Group assesses whether credit risks have significantly increased on either an individual financial instrument basis or a collective financial instrument basis. When the assessment is performed on a collective financial instrument basis, the Group can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

The Group determines that the credit risk on a financial instrument has significantly increased if it is past due over 30 days.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets (continued)

Assessment of significant increase in credit risk (continued)

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- A financial instrument is past due over 90 days.

Credit-impaired financial assets

The Group assesses whether financial assets at amortized cost and debt investments measured at fair value through other comprehensive income are credit-impaired at balance sheet date. A financial asset is 'credit-impaired' when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the issuer or debtor;
- The debtor breached contracts, such as a default or delinquency in interest or principal payments;
- For economic or contractual reasons relating to the debtor's financial difficulty, the Group having granted to the debtor a concession that would not otherwise consider;
- It is probable that the debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (6) Impairment of financial assets (continued)

Presentation of allowances for ECLs

In order to reflect changes in the financial instrument's credit risk since initial recognition, ECLs are remeasured at each balance sheet date. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. For financial assets measured at amortized cost, the loss allowances are offset against the carrying amount of the financial asset presented in the balance sheet. For debt investment measured at fair value through other comprehensive income, the loss allowances are recognized in other comprehensive income instead of offsetting the carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is directly written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Such write-off will give rise to derecognition of relevant financial asset. This is generally the case when the Group determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, in accordance with the Group's procedures for recovery of amounts due, financial assets that are written off could still be subject to enforcement activities.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

##### (7) Transfer of financial assets

Transfer of financial assets means to assign or deliver the financial assets to other party other than the financial assets issuer (the transferee).

If the Group has transferred substantially all the risks and returns of the financial asset ownership to the transferee, the financial asset will be derecognized; while if substantially all the risks and returns of the financial asset ownership are retained, the financial asset will not be derecognized.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 9. Financial instruments (continued)

##### (7) Transfer of financial assets (continued)

If the Group neither transfers nor retains substantially all the risks and returns of the financial asset ownership, it shall be treated according to the following situations: if the Group gives up the control on the financial asset, the financial asset will be derecognized, and the resulting assets and liabilities will be recognized; if the Group does not give up the control on the financial asset, the relevant financial asset will be recognized according to its proportion of participation in the transferred financial asset, and the relevant liabilities will be recognized.

##### (8) Set-off between financial assets and financial liabilities

If the Group has the legal right to set off the recognized financial assets and financial liabilities, and this legal right can be exercised currently, when the Group intends to settle in net amount or simultaneously realize the financial asset and settle financial liability, the financial asset and financial liability will be presented in the balance sheet in the amount after mutual set-off. Otherwise, the financial assets and financial liabilities will be presented separately in the balance sheet and will not be mutually set off.

#### 10. Fair value measurement

Fair value refers to the price that can be received when disposing of an asset or it needs to be paid when transferring a liability in the orderly transaction made by the market participants on the measuring date.

The Group measures the relevant assets or liabilities through fair value, assuming that the orderly transactions for disposing of assets or transferring liabilities are conducted in the principal market of the relevant assets or liabilities. If there is no such principal market, the Group assumes that the transaction is conducted in the most favorable market of the relevant assets or liabilities. Principal market (or most favorable market) refers to the market that the Group can enter on the measuring date. The Group adopts the assumption used by the market participants to maximize their economic benefit when pricing the relevant asset or liability.

For the financial assets or financial liabilities with active market, the Group adopts the quote in the active market to determine their fair value. If there is no active market for the relevant financial asset, the Group determines its fair value through valuation technique.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 10. Fair value measurement (continued)

When non-financial assets are measured at fair value, the ability of the market participants to use the asset in best application to generate economic benefit, or the ability to dispose of the asset to other market participants with best application to generate economic benefit will be taken into account.

The Group adopts suitable valuation techniques with sufficient available data and information support and gives priority in use of the relevant observable input value. It will use the unobservable input value only when it is unable or impracticable to obtain the observable input value.

For the assets and liabilities measured or disclosed at fair value in the financial statement, the level of the fair value is determined according to the lowest level input values which are of significance to the fair value measurement entirely: level 1 input value is the unadjusted quote of the same asset or liability in the active market available on the measuring date; level 2 input value is the directly or indirectly observable input value of the relevant asset or liability other than the level 1 input value; level 3 input value is the unobservable input value of the relevant asset or liability.

The Group will reevaluate the assets and liabilities measured at fair value and recognized in the financial statement on each balance sheet date, in order to determine if there is any change to the fair value measuring levels.

#### 11. Inventory

##### (1) Inventory category

The inventory of the Group includes costs of contract performance, low-value consumables and finished products.

##### (2) Valuation method for released inventory

The inventory of the Group is valued according to the actual costs when it is acquired. Raw materials, finished products and other inventories are valued with weighted average method when they are released, and costs of contract performance are valued with individual valuation method.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 11. Inventory (continued)

- (3) Determination basis for realizable net value of the inventory and method for inventory impairment provision

The realizable net value of the inventory is the amount of the estimated sales price of the inventory deducting the cost incurred upon completion, the estimated sales expense and the relevant taxes. The realizable net value of the inventory is determined based on the available concrete evidence, with the purpose for holding the inventory and the impact of the events after balance sheet date taken into account.

If the inventory cost is higher than the realizable net value on the balance sheet date, the inventory impairment provision shall be made. The Group generally makes inventory impairment provision for inventory items of individual categories. If the influence factor that caused the write-down of inventory value is eliminated on the balance sheet date, the inventory impairment provision shall be reversed in the incurred amount.

- (4) Inventory system

The Group adopts perpetual inventory system as its inventory system.

- (5) Amortization method for low-value consumables

The Group amortizes the low-value consumables with one-off write-off method at the time of consumption.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 12. Held for sale and discontinued operations

##### (1) Category and measurement of non-current assets held for sale or disposal groups

When the Group recovers the book value of a non-current asset or disposal group through disposal (including the non-monetary asset exchange of business nature) rather than continuous use, the non-current asset or disposal group will be classified into the held-for-sale type.

The aforesaid non-current asset does not include the investment property subsequently measured through fair value, the biological assets measured at the net amount of the fair value deducting the sales expense, the assets generated from payroll, financial assets, deferred income tax assets and rights from insurance contract.

Disposal group refers to a group of assets that will be sold or otherwise disposed of as a whole in a transaction and the liabilities directly related to the assets transferred in the transaction. In certain situations, the disposal group includes the goodwill acquired in the corporate merger.

The non-current assets or disposal groups meeting all the following criteria will be classified into the held-for-sale type: The non-current asset or disposal group can be sold immediately in the current status according to the practices for the disposal of such non-current assets or disposal groups in similar transactions; the sale is probable to occur, that is, resolution has been made for a sale plan and definite purchase commitment has been obtained, and it is estimated the sale will be completed in a year. If the control over the subsidiary is lost due to the disposal of the investment in the subsidiary, no matter the Group retains some equity investment after the disposal or not, when the investment in the subsidiary proposed for disposal meets the classification criteria of the held-for-sale type, the investment in the subsidiary shall be classified into the held-for-sale type entirely in the individual financial statement, and all the assets and liabilities of the subsidiary shall be classified into the held-for-sale type in the consolidated financial statement.

The difference between the book value and the net amount of the fair value deducting the sales expense shall be recognized as the asset impairment loss upon initial measurement or when the non-current asset held for sale or disposal group is remeasured on the balance sheet date. To determine the asset impairment loss for the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then its book value shall be deducted in proportion according to the percentages of the book value of the individual non-current assets in the disposal group.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 12. Held for sale and discontinued operations (continued)

##### (1) Category and measurement of non-current assets held for sale or disposal groups (continued)

If the net amount of the fair value deducting the sales expense of the non-current asset held for sale and disposal group is increased on the subsequent balance sheet date, the previously written down amount shall be restored, and reversed in the asset impairment loss amount recognized after it was classified into the held-for-sale type, with the reversal amount recorded into the profit and loss for the current period, provided that the deducted book value of the goodwill shall not be reversed.

The non-current asset held for sale and the assets in the disposal group held for sale will not be subject to depreciation provision or amortization, while the interests and other expenses of the liabilities in the disposal group held for sale shall be recognized. As far as the investment in the joint venture and associate is concerned, for the part classified into the held-for-sale type, the accounting with equity method shall be stopped, while the remaining part (which is not classified into the held-for-sale type) shall still be accounted for using the equity method. When the Group loses the significant influence on the joint venture and associate due to the sale, the use of equity method shall be stopped.

When certain non-current asset or disposal group classified into the held-for-sale type no longer meets the classification criteria for held-for-sale type, the Group shall stop classifying it into the held-for-sale type and measure it according to the lower of the following two amounts:

- ① The amount of book value of the asset of disposal group before it was classified into the held-for-sale type after being adjusted with the depreciation, amortization or impairment that should be recognized if it was not classified into the held-for-sale type;
- ② The recoverable amount.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 12. Held for sale and discontinued operations (continued)

##### (2) Discontinued operation

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Group or classified by the Group into the held-for-sale type and can be identified separately:

- ① The component represents an independent principal business or a separate principal business place.
- ② The component is a part of the related plan for disposing of an independent principal business or a separate principal business place.
- ③ The component is a subsidiary acquired for resale.

##### (3) Presentation

The Group presents the non-current assets held for sale and the assets in the disposal group held for sale under "assets held for sale", and the liabilities in the disposal group held for sale under "liabilities held for sale" in the balance sheet.

The Group presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale and disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation on and from the date of retirement.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 12. Held for sale and discontinued operations (continued)

##### (3) Presentation (continued)

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale type, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

#### 13. Long-term equity investment

The long-term equity investment includes the equity investment in the subsidiary, joint venture and associate. The investee over which the Group has significant influence is the joint venture of the Group.

##### (1) Determination of initial investment cost

The long-term equity investment resulting from corporate merger: For the long-term equity investment resulting from merger of companies under the same control, the book value of the ownership equity of the merged party obtained on the merger date presented in the consolidated financial statement of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from merger of companies under different controls, the merger cost will be used as the investment cost of the long-term equity investment.

The long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actually paid purchase price will be used as the initial investment cost. For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities will be used as the initial investment cost.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 13. Long-term equity investment (continued)

##### (2) Subsequent measurement and profit and loss recognition method

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale type. The investment in joint venture and associate will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognized as the investment income and recorded into the profit and loss for the current period.

For the long-term equity investment accounted for using equity method, if the initial investment cost is higher than the fair value of the identifiable net assets of the investee attributable to the Group, the investment cost of the long-term equity investment will not be adjusted. If the initial investment cost is lower than the fair value of the identifiable net assets of the investee attributable to the Group, the investment cost of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognized separately according to the share in the investee's net profit/or loss and its other comprehensive income, with the book value adjusted for the long-term equity investment by the Group. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the investee or the share of cash dividend. Changes to owner's equity other than net profit/or loss, other comprehensive and profit distribution cause book value of long-term equity investment to be adjusted, and taken into capital reserve (other capital reserve). Net profit of the investee is recognized after adjustment according to the accounting policy and accounting period of the Group on the basis of fair value of all recognizable assets of the investee on acquisition.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 13. Long-term equity investment (continued)

##### (2) Subsequent measurement and profit and loss recognition method (continued)

If the Group is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. If an equity interest is classified as a non-trading equity instrument investment that is measured at fair value through other comprehensive income, the cumulative changes in fair value associated with it that were previously included in other comprehensive income are transferred to retained earnings when using the equity method of accounting.

If the Group loses the joint control or significant influence on the investee due to the disposal of some equity investment or other reasons, the remaining equity after disposal will be subject to the accounting treatment according to Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on the date when the joint control or significant influence is lost, and the difference between the fair value and book value will be recorded into the profit and loss for the current period. Other comprehensive income recognized for the original equity investment because equity method is used for accounting will be subject to the accounting treatment on the same basis as adopted by the investee for the direct disposal of the relevant assets or liabilities when the accounting with equity method is stopped. The change of other owner's equity related to the original equity investment will be transferred into the profit and loss for the current period.

If the Group loses the control on the investee due to the disposal of some equity investment or other reasons, but still can implement joint control or exert significant influence on the investee with the remaining equity after disposal, equity method will be used for accounting, and the remaining equity shall be adjusted as if it is accounted for using equity method since the date of acquisition. If the Group cannot implement joint control or exert significant influence on the investee with the remaining equity after disposal, the accounting treatment shall be made according to the relevant provisions of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date of loss of control and the book value will be recorded into the profit and loss for the current period.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 13. Long-term equity investment (continued)

##### (2) Subsequent measurement and profit and loss recognition method (continued)

If the shareholding proportion of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can implement common control or exert significant influence on the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognized according to the new shareholding proportion, and the difference with the original book value of the long-term equity investment corresponding to the shareholding proportion reduction part that should be carried forward shall be recorded into the profit and loss for the current period; and then it shall be adjusted according to the new shareholding proportion as if equity method is used for accounting since the time of investment acquisition.

The profit and loss of the unrealized internal transactions between the Group and the joint venture and associate calculated according to the shareholding proportion and attributable to the Group shall be recognized as the investment profit and loss on the basis of set-off, provided that the unrealized internal transaction loss between the Group and the investee which belongs to impairment loss of the transferred asset shall not be set off.

##### (3) Basis for determining the joint control and significant influence on the investee

Joint control means the joint control on certain arrangement according to the relevant agreement where decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. When judging if there is any joint control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then judged if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants jointly control the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute joint control. When judging if there is any joint control, the relevant protection rights will not be taken into account.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 13. Long-term equity investment (continued)

##### (3) Basis for determining the joint control and significant influence on the investee (continued)

Significant influence means that the investor has the power to participate in the decision making on the financial and operating policies of the investee but cannot control or jointly control with other parties the formulation of these policies. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% (exclusive) of the voting shares of the investee, it can be considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot exert significant influence in this situation. When the Group owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision-making of the investee and cannot exert significant influence in this situation.

##### (4) Equity investment held for sale

For the equity investment in the joint venture or associate which is classified as assets held for sale in whole or in part, please refer to Note III.12 for the accounting treatment.

The remaining equity investment not classified as assets held for sale shall be subject to accounting treatment with equity method.

If the equity investment in the joint venture or associate which is classified as assets held for sale no longer meets the classification criteria of assets held for sale, it shall be subject to adjustment using equity method, with retrospect to the date when it is classified as assets held for sale.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 13. Long-term equity investment (continued)

##### (5) Impairment test method and impairment provision method

For the investment in subsidiary, joint venture and associate, the method for making impairment provision is set out in Note III. 20.

#### 14. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Group include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties of the Group are measured initially at cost upon acquisition, and subject to depreciation or amortization in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

The Group adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 20.

The balance after the disposal income from the disposal, transfer, scrapping or destruction of the investment properties deducts the book value and the relevant taxes shall be recorded into the profit and loss for the current period.

#### 15. Fixed assets

##### (1) Conditions for recognition of fixed assets

The fixed assets of the Group refer to the tangible assets held for manufacturing products, providing services, lease or operation management and whose service life is more than one fiscal year.

The fixed asset can be recognized only when the economic benefit related to the fixed asset is probable to flow into the company and the cost of the fixed asset can be reliably measured.

The fixed assets of the Group are initially measured at the actual cost upon acquisition.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES  
(continued)

## 15. Fixed assets (continued)

## (2) Depreciation method for various types of fixed assets

The Group adopts equal annual instalments method. Depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognized or classified as non-current asset held for sale. Without regard to the depreciation provision, the Group determines the annual depreciation rate of the fixed assets according to the type, estimated service life and estimated residual value of the fixed assets, as shown below:

Type	Service life (year)	Residual value rate (%)	Annual depreciation rate (%)
Machinery and equipment	3-6 years	5	15.83-31.67
Transportation equipment	4 years	5	23.75
Others	3-5 years	0-5	19.00-33.33

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

- (3) The impairment test method and impairment provision method of the fixed assets are set out in Note III. 20.
- (4) The Group will recheck the service life, estimated net residual value and depreciation method of the fixed assets at the end of each year

When there is any difference between the service life estimate and the originally estimated value, the service life of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value of the fixed asset shall be adjusted.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 15. Fixed assets (continued)

##### (5) Disposal of fixed assets

Fixed assets are derecognized when they are disposed of, or when no economic benefits are expected to be derived from their use or disposal. Proceeds from the disposal of fixed assets, net of their carrying amount and related taxes, are recognized in profit or loss for the current period.

#### 16. Work in progress

The cost of work in progress shall be determined according to the actual project expenditure, including the necessary project expenditures incurred during the construction, the loan expenses that should be capitalized before the project reaches the estimated usable status and other relevant expenses.

The work in progress will be transferred into fixed assets when they reach estimated usable state.

The depreciation method for work in progress is set out in Note III. 20.

#### 17. Borrowing expenses

##### (1) Recognition principle for the capitalization of the borrowing expenses

The borrowing expenses incurred by the Group directly attributable to the acquisition or production of the assets that meet the capitalization conditions will be capitalized and recorded into the relevant asset cost. Other borrowing expenses will be recognized as expenses when incurred according to the incurred amount, and recorded into the profit and loss for the current period. When the borrowing expenses meet all the following conditions, capitalization shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest bearing liabilities for acquiring or producing the assets meeting the capitalization conditions;
- ② The borrowing expenses have been incurred;

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 17. Borrowing expenses (continued)

##### (1) Recognition principle for the capitalization of the borrowing expenses (continued)

- ③ The acquisition or production activity necessary for the asset to reach the estimated usable status or marketable status has been started.

##### (2) Capitalization period of borrowing expenses

When the assets acquired or produced by the Group that meet the capitalization conditions reach the estimated usable status or marketable status, the capitalization of the borrowing expenses shall be stopped. The borrowing expenses incurred after the assets meeting the capitalization conditions reach the estimated usable status or marketable status shall be recognized as expenses when incurred according to the incurred amount, and recorded into the profit and loss for the current period.

If the acquisition or production of the assets meeting the capitalization conditions is abnormally interrupted and the interruption lasts for more than 3 months, the capitalization of the borrowing expenses shall be suspended. The capitalization of the borrowing expenses shall be continued in the normal interruption period.

##### (3) Calculation methods for capitalization rate and capitalization amount of the borrowing expenses

The amount of the interest expenses incurred in the current period of the special borrowing deducting the interest income earned by depositing the unused borrowed fund into the bank or the investment income earned by making temporary investment with the unused borrowed fund shall be capitalized. The capitalization amount of the general borrowing is calculated by multiplying the part of the weighted average value of accumulated assets expenditure that the accumulated assets expenditure exceeds the special borrowing with the capitalization rate of the general borrowing. The capitalization rate is determined according to the weighted average interest rate of the general borrowing.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 17. Borrowing expenses (continued)

- (3) Calculation methods for capitalization rate and capitalization amount of the borrowing expenses (continued)

During the capitalization period, all the exchange difference of the foreign currency special borrowing shall be capitalized, while the exchange difference of the foreign currency general borrowing shall be recorded into the profit and loss for the current period.

#### 18. Intangible assets

The intangible assets of the Group include software and customer relationship.

The intangible asset is initially measured at cost, and its service life is judged upon acquisition. If the service life is limited, the intangible asset will be amortized in the estimated service life using the amortization method that can reflect the estimated realization of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realization, straight-line amortization shall be adopted. The intangible assets with uncertain service life will not be amortized.

The amortization methods for the intangible assets with limited service life are as follows:

Types	Service life	Amortization method
Software	No more than 3 years	Direct approach
Customer relationship	3 years	Direct approach

The Group will recheck the service life and amortization method of the intangible assets with limited service life at the end of each year.

If it is different from the previous estimates, the original estimates will be adjusted, and accounting estimate change treatment shall be made. If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the book value of the intangible asset will be entirely transferred into the profit and loss for the current period.

The impairment methods for the intangible assets are set out in Note III. 20.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 19. R&D expenditure

The Group divides the expenditure of internal R&D project into research stage expenditure and development stage expenditure.

The research stage expenditure will be recorded into the profit and loss for the current period when incurred.

The development stage expenditure can be capitalized only when it meets all the following conditions: it is technically feasible to complete the intangible asset and make it usable and marketable; it is intended to complete and use or sell the intangible asset; the usefulness of the intangible asset can be proved by its method to generate economic benefit, including the fact that there is market for the product manufactured using the intangible asset, there is market for the intangible asset itself, or the intangible asset will be used internally; there is sufficient technical, financial resource and other resource support to complete the development of the intangible asset, there is the ability to use or sell the intangible asset; and the expenditure attributable to the development stage of the intangible asset can be reliably measured. The development expenditure not meeting the above conditions will be recorded into the profit and loss for the current period.

The R&D project of the Group enters the development stage when the above conditions are satisfied, it passes the technical feasibility and economic feasibility study and the project is established.

The capitalized development stage expenditure is presented as development expenditure on the balance sheet and converted to intangible asset on the date when the project reaches the estimated usable status.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 20. Assets impairment

The assets impairment of the long-term equity investment in subsidiary, joint venture and associate, the investment property, fixed asset, work in progress subsequently measured at cost, right-of-use assets, intangible asset and goodwill (except for the inventory, deferred income tax asset and financial asset) shall be determined according to the following method:

Judging if the asset has the sign of impairment on the balance sheet date. If there exists the sign of impairment, the Group will estimate its recoverable amount and conduct impairment test. The goodwill resulting from corporate merger, the intangible asset with uncertain service life and the intangible asset that has not reached the usable status will be subject to impairment test each year, no matter there is any sign of impairment or not.

The recoverable amount is determined according to the higher of the net amount of the asset fair value deducting the disposal expense and the current value of the estimated future cash flow of the asset. The Group estimates the recoverable amount based on individual assets. If it is hard to estimate the recoverable amount of the individual asset, the recoverable amount of the asset group that the relevant asset belongs to shall be determined. The asset group shall be determined on the basis whether the principal cash inflow it generates is separate from the cash inflow of other assets or asset groups.

When the recoverable amount of the asset or asset group is lower than its book value, the Group will write down the book value to the recoverable amount, record the written down amount into the profit and loss for the current period, and make corresponding impairment provision.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 20. Assets impairment (continued)

With regard to the goodwill impairment test, the book value of the goodwill resulting from corporate merger shall be allocated to the relevant asset group according to the reasonable method on the acquisition date. If it is difficult to allocate to the relevant asset group, it shall be allocated to the relevant asset group portfolio. The relevant asset group or asset group portfolio shall be the asset group or asset group portfolio that can benefit from the synergy of corporate merger but is not larger than the reporting division determined by the Group.

If any sign of impairment is detected on the asset group or asset group portfolio related to goodwill during the impairment test, the asset group or asset group portfolio not containing the goodwill shall be subject to impairment test first, in order to calculate the recoverable amount and determine the corresponding impairment loss. Then, the asset group or asset group portfolio containing the goodwill shall be subject to impairment test by comparing its book value and the recoverable amount. If the recoverable amount is lower than the book value, the goodwill impairment loss shall be recognized.

Once the asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

#### 21. Long-term deferred expenses

The long-term deferred expenses incurred by the Group shall be recognized according to the actual cost, and evenly amortized in the estimated benefit periods. For the long-term deferred expense that cannot benefit the subsequent accounting periods, its value after amortization shall be entirely recorded into the profit and loss for the current period.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 22. Payroll

##### (1) Payroll range

Payroll refers to the remuneration or compensation of varied forms provided by the enterprise for the service offered by the employee or for terminating the labor relationship. The payroll includes short-term compensation, post-termination benefit, demission benefit and other long-term employee benefits. The benefits provided by the enterprise to the spouses, children, dependents of the employees, the family dependents of the deceased employees and other relevant beneficiaries also belong to payroll.

The payroll is respectively presented under the items of "payroll payable" and "longterm payroll payable" in the balance sheet according to mobility

##### (2) Short-term compensation

The Group will recognize the employee salary, bonus, social security contributions (such as medical insurance premium, work injury insurance premium and birth insurance premium) and housing fund paid for the employees according to the prescribed standards and proportions incurred in the accounting period in which the employees provide service as liabilities and record into the profit and loss for the current period or the relevant asset cost. If it is estimated that the liability cannot be fully paid in 12 months after the end of the reporting period for the year in which the employee provides relevant service and it has significant financial influence, the liability shall be measured according to the discounted amount.

##### (3) Post-termination benefit

The post-termination benefit plan includes defined contribution plan and defined benefit plan. The defined contribution plan refers to the post-termination benefit plan that the company will no longer undertake further payment obligation after making fixed amount payment to the independent fund. The defined benefit plan is the post-termination benefit plan other than the defined contribution plan. The Company involves only the defined contribution plan.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 22. Payroll (continued)

##### (3) Post-termination benefit (continued)

Defined contribution plan

The defined contribution plan includes basic pension insurance, unemployment insurance etc.

The amount payable according to the defined contribution plan in the accounting period in which the employee provides service will be recognized as liability and recorded into the profit and loss for the current period or the relevant asset cost.

##### (4) Demission benefit

When the Group provides demission benefit to the employee, it will recognize the payroll liability resulting from the demission benefit on the earlier of the following days: when the Group cannot unilaterally withdraw the demission benefit due to the termination of the labor relationship or reduce the proposed demission benefit; when the Group recognizes the cost or expense of the reorganization involving the payment of demission benefit.

##### (5) Other long-term benefits

The other long-term benefits provided by the Group to the employees will be treated according to the provisions on defined contribution plan if they meet the criteria of defined contribution plan, and treated according to the provisions on defined benefit plan if they meet the criteria of defined benefit plan, provided that the "Change from the remeasurement of the net liability or net asset of the defined benefit plan" in the relevant payroll cost shall be recorded into the profit and loss for the current period or the relevant asset cost.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 23. Estimated liabilities

If the obligation related to contingencies meet the all the following conditions, the Group will recognize it as estimated liability:

- (1) The obligation is the current obligation undertaken by the Group;
- (2) The performance of the obligation may cause the outflow of economic benefit from the Group;
- (3) The obligation amount can be reliably measured.

The estimated liability shall be initially measured according to the best estimate for the expenditure required for the performance of the current obligation, with such factors as the risks, uncertainties related to the contingencies and the time value of money taken into account. If the time value of money has significant influence, the best estimates shall be determined after discounting the relevant future cash outflow. The Group will recheck the book value of the estimated liabilities on the balance sheet date and adjust the book value to reflect the current best estimates.

If the repayment of the expenditure required for the recognized estimated liability is expected to be entirely or partially reimbursed by the cooperative manufacturers or any other parties, the reimbursement can be recognized separately as asset when it is certain that the reimbursement can be received. The recognized reimbursement amount shall not exceed the book value of the recognized liability.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 24. Revenue

##### (1) General principle

For performance obligations being satisfied, revenue is recognized by the Group when the customer obtains control of the relevant goods or services.

Where two or more performance obligations are included in a contract, at the commencement date of the contract, the Group will allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised, and measure revenue based on the transaction price being allocated to each performance obligation.

When one of the following conditions is met, which means the Group perform its performance obligations within a certain period of time, and otherwise, at a single point in time:

- ① When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs.
- ② When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- ③ When 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.

For performance obligations being satisfied in a certain period of time, the Group recognizes income in accordance with the progress of performance in the certain period of time. When the progress of performance cannot be determined reasonably, it is expected the costs incurred can be recovered and the Group recognizes income based on the amount of the costs incurred until the progress of performance can be determined reasonably

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 24. Revenue (continued)

##### (1) General principle (continued)

For performance obligations being satisfied at a point in time, the Group recognizes income at a point in time when the customer obtains control of relevant goods or services. In determining whether the customer has obtained control of the goods or services, the Group will consider the following indications:

- ① The Group has the current right to receive payment for the goods or services, i.e. the customer has the obligation to make current payment for the goods.
- ② The Group has transferred the legal title of goods to the customer, i.e. the customer has possessed the legal title of the goods.
- ③ The Group has transferred the physical possession of goods to the customer, i.e. the customer has the physical possession of the goods.
- ④ The Group transferred substantially all of the risks and rewards of ownership of the goods to the customer, i.e. the customer has obtained all of the risks and rewards of ownership of the goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ There are other indications that the customer has obtained the control of the goods.

The right that the Group is entitled to receive consideration from customers (and the right is depending on factors other than the passage of time) as it has transferred goods or services to them is presented as contractual assets, contractual assets is based on the expected credit losses to made the impairment (please refer to Note III. 9 (6)). The right that the Group owns and is unconditional (only depending on the passage of time) to collect consideration from customers is presented as receivables. The obligation that the Group is required to transfer goods or services to customers upon consideration received or receivable is presented as contract liabilities.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 24. Revenue (continued)

##### (1) General principle (continued)

The contract asset and contract liability under the same contract are presented as net amount. If the net amount stated in debit balance, it will be presented under the items of "Contractual assets" or "Other non-current assets" according to mobility; if the net amount stated in credit balance, it will be presented under the items of "Contractual liabilities" or "Other non-current liabilities" according to mobility

##### (2) Specific methods

The methods of revenue recognition for the Group are listed as follows:

- ① Revenue from system integration and software development are recognized at the time when the control is transferred, i.e. One-off revenue recognition upon receipt of acceptance report from the customer according to the terms of acceptance agreed upon in the contract.
- ② Revenue from sales of goods are recognized at the time when the control of goods is transferred, i.e. One-off revenue recognition upon receipt of acceptance note from the customer according to the terms of acceptance agreed upon in the contract.
- ③ Revenue from operation and maintenance are recognized on the straight-line basis over the period of operation and maintenance according to agreement.
- ④ Revenue from consultation are recognized on the straight-line basis over the period of consultation according to agreement.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 25. Contractual costs

Contractual costs include the incremental costs happened for obtaining the contract and the costs of contract performance.

Incremental costs happened for obtaining the contract refers to the cost will not occur if the Group does not obtain the contract (such as sales commission etc.). Where the cost is expected to be recovered, the Group considers it as the cost of obtaining the contract and recognizes as an asset. The Group states other expenses happened for obtaining the contract (other than the incremental cost that is expected to be recovered) into the profit and loss for the current period when incurred.

Where the cost happened for obtaining the contract does not fall into the scope of inventories and other Accounting Standard for Business Enterprises and meets the following conditions at the same time, the Group considers it as the costs of contract performance and recognizes as an asset:

- ① The cost is directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing fees (or similar fees), the cost set to be assumed by customers and other cost arising merely from the contract;
- ② The cost increased the resources of the Group to be used for performing the performance obligations in the future;
- ③ The cost is expected to be recovered.

The recognized assets with the contract obtaining costs and the recognized assets with the costs of contract performance (hereafter referred to as the "contractual cost-related assets") are amortized on the same basis as the recognition of income on goods or services related to the assets and are included in the profit and loss for the current period. The amortization period of the assets with less than one year are included in the profit and loss for the current period when incurred.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 25. Contractual costs (continued)

When the carrying amount of the contractual cost-related assets is higher than the difference between the following two items, the impairment provisions for the excess shall be made and shall be recognized as impairment losses of assets by the Group:

- ① The Group expects the remaining consideration can be obtained from transfer of goods or services related to the assets;
- ② The cost estimated to be happened for the transfer of related goods or services.

The costs of contract performance recognized as assets, the amortization period with less than one year or a normal operating cycle upon the initial recognition, are presented as "Inventories" item. The costs of contract performance recognized as assets, the amortization period with more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

The contract obtaining costs recognized as assets, the amortization period with less than one year or a normal operating cycle upon the initial recognition, are presented as "Other current assets" item. The contract obtaining costs recognized as assets, the amortization period with more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

#### 26. Government grants

A government grants shall be recognized when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 26. Government grants (continued)

Government grant related to assets, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income. The government grant related to assets shall be recognized as deferred income and would be transferred to profit or loss in a reasonable and systematic manner within the period of use of the relevant assets.

The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognized in profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognized as deferred income and shall be recognized in profit or loss during the relevant cost or loss confirmation period. Government grants measured in the normal amount are directly included in profit or loss for the current period. The Group has adopted a consistent approach to the same or similar government grant business.

The government grants related to daily activities are recognized as other gains in accordance with the substance of economic business. Government grants that are not related to daily activities are recognized as non-operating income and expenses.

If the recognized government grants need to be refunded, adjust the book value of assets when the book value of assets is offset at the time of initial recognition; the balance of deferred income is offset against the book balance of deferred income and the excess is recognized in profit or loss for the current period. In other circumstances, it is directly recognized in profit or loss for the current period.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 27. Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except that deferred tax related to transactions or events that are directly recognized in owners' equity is recognized directly in owners' equity, and deferred tax arising from a business combination is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction with the following characteristics: which is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes a deferred tax asset for the carryforward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 27. Deferred tax assets and deferred tax liabilities (continued)

- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

#### 28. Leases

##### (1) Identification of leases

On the commencement date of a contract, the Group, as a lessee or lessor, assess whether the customer in the contract is entitled to substantially all of the economic benefits arising from the use of the identified assets during the period of use and have the right to lead the use of identified assets during this period of use. If one party under the contract transfers one or more of the rights to control the use of identified assets for a certain period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 28. Leases (continued)

##### (2) The Group as lessee

On the commencement date of a lease term, the Company recognizes right-of-use assets and lease liabilities for all leases, except for short-term leases and leases of low-value assets for which simplified approach is applied.

Accounting policy for right-of-use assets are set out in Note III.29.

Lease liabilities are initially measured at the present value of the lease payments that have not been paid as at the commencement date of the lease term measured at the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate will be adopted as discount rate. Lease payments include: fixed payments (including in substance fixed payments) less any relevant lease incentives; variable lease payments that depend on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating a lease, if the lease term reflects the lessee exercising the option to terminate; and amounts expected to be paid under residual value guarantees. The interest expense of the lease liabilities for each period of the lease term is calculated based on a fixed periodic interest rate and recognized in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss for the current period when incurred.

##### Short-term leases

Short-term leases are leases that have a lease term of 12 months or less from the commencement date, except those contain a purchase option.

Lease payments on short-term leases are recognized in the cost of underlying assets or profit or loss for the current period on a straight-line basis over the lease term.

For short-term leases, the Group adopts the above simplified treatment for items that meet the conditions of short-term leases.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 28. Leases (continued)

##### (2) The Group as lessee (continued)

Leases of low-value assets

A lease of low-value assets refers to a single lease asset, when new, is of a value below RMB40,000.

For leases of low-value assets, the Group adopts the above simplified treatment based on the conditions of leases.

Lease payments on leases of low-value assets are recognized in the cost of underlying assets or profit or loss for the current period on a straight-line basis over the lease term.

##### (3) The Group as lessor

When the Group is a lessor, a finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Finance leases

In finance leases, on the commencement date of the lease term, the Group uses the net lease investment as the recorded value of finance lease receivables. The net lease investment is the sum of the unsecured residual value and the lease amount that has not been received on the commencement date of the lease term, which is discounted according to the present value of the leased interest rate. The Group, as a lessor, calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. The Group, as a lessor, recognizes variable lease payments that are not included in the net investment in the lease investment in profit or loss in the period in which they are incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 28. Leases (continued)

##### (3) The Group as lessor (continued)

###### Operating leases

Rental from operating leases is recognized in profit or loss on a straight-line basis over the lease term. The initial direct costs incurred in relation to the operating leases shall be capitalized and apportioned on the same basis as the rental income recognition during the lease term, and recognized in profit or loss for the current period. The variable lease payments received that are not included in the lease receivables related to the operating leases are recognized in profit or loss for the current period when incurred.

#### 29. Right-of-use assets

##### (1) Recognition of right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee.

At the commencement date, the right-of-use asset shall be initially measured at cost. The cost shall comprise: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the Group as a lessee; an estimate of costs to be incurred by the Group as a lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group recognizes and measures the costs of restoration and dismantling according to the Accounting Standards for Business Enterprises No. 13 — Contingencies. Subsequent adjustments are made for remeasurement of lease liability.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 29. Right-of-use assets (continued)

##### (2) Depreciation of right-of-use assets

The Group recognizes depreciation on a straight-line basis. If the Group as a lessee can reasonably determine that a lease will transfer ownership of the leased assets to the Group by the end of the lease term, the leased assets are depreciated over their using life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over the shorter of the lease term and useful life.

##### (3) The method of testing the impairment of the right-of-use asset and the method of determining impairment provision are set out in Note III.20.

#### 30. Critical accounting judgments and estimates

The Group gives continuous assessment on the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant risks of adjusting the carrying amount of assets and liabilities for the next financial year are listed as follows:

##### Measurement of expected credit loss of accounts receivables

The Group measures expected credit loss of accounts receivables by the risk exposures of default and expected credit loss rate of accounts receivables and determines expected credit loss rate by probability of default and loss given default. In determining expected credit loss rate, the Group uses information such as internal historical credit loss experience, and makes adjustment to historical information by combining current situation and forward-looking information. In considering forward-looking information, the Group uses indicators such as the risk of an economic slowdown, the external market environment, the technological environment and changes in the customer situation. The group regularly monitors and reviews assumptions related to the measurement of expected credit losses.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### 30. Critical accounting judgments and estimates (continued)

##### Impairment of goodwill

The Group evaluates at least once a year whether its goodwill has impaired, which entails estimation of the use value of the asset groups to which goodwill is allocated. In estimating the use value, the Group needs to estimate the future cash flow from the said asset group and selects the appropriate discount rate to calculate the current value of the future cash flow.

##### Deferred income tax assets

To the extent that there is likely sufficient taxable profit to offset losses, deferred income tax assets should be recognized in relation to all tax losses not used. Significant judgment of the management is required to determine the amount of deferred income tax assets that should be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### 31. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

##### (1) Changes in Significant Accounting Policies

Nil.

##### (2) Changes in Significant Accounting Estimates

Nil.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### IV. TAX

#### 1. Main taxes and tax rates

Taxes	Tax basis	Statutory Tax Rate %
Value-added tax	Taxable income	5, 6, 9, 13
Urban maintenance and construction tax	Commodity turnover tax payable	7
Corporate income tax	Taxable income	25

Name of Taxpayer	Income Tax Rate %
The Company	10
Capinfo Hong Kong	–
Capinfo Technology	15
Parking Management	20
Rito Info	15
Capinfo Medical United	25
Capinfo Cloud Technology	15

#### 2. Tax preference and approvals

##### (1) Value-added tax

In accordance with the requirements of the Notice of Valued-added Tax Policies for Software Products (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, Rito Info, a subsidiary of the Company, sells its own-developed and produced software. After levitation of value-added tax at a rate of 13%, the part over 3% will be refundable as soon as it is imposed.

According to the requirements of the Notice of Inclusion of Railway Transportation and Post Industry into the Pilot Proposals for the Change from Business Tax to Value-added Tax (Cai Shui [2015] No. 118) promulgated by the Ministry of Finance and the State Administration of Taxation, contracts of provision of technological transfer, development and related technological consulting or technological services are exempt from value-added tax upon recognition by the Municipal Competent Department of Science & Technology and reported to the Competent State Administration of Taxation for file.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### IV. TAX (CONTINUED)

#### 2. Tax preference and approvals (continued)

##### (2) Corporate income tax

According to the Notice on the Requirements for the Preparation of List of Integrated Circuit Enterprises or Projects and Software Enterprises Eligible for Preferential Tax Policies (Fa Gai Gao Ji [2021] No. 413), enterprises included in the list of preferential income tax treatment upon review are entitled to 10% discount of corporate income tax.

Capinfo Hong Kong, a subsidiary of the Company, has no payable tax profit during the year.

Capinfo Technology, a subsidiary of the Company, obtained its Certificate of Hi-tech Enterprise, No. GR202011000486 on 31 July 2020 and is entitled to the corporate income tax preference of 15% for a period of three years.

Rito Info, a subsidiary of the Company, obtained its Certificate of Hi-tech Technological Enterprise, No. GR202135101116 on 14 December 2021 and is entitled to 15% discount of corporate income tax for a period of three years.

Capinfo Cloud Technology, a subsidiary of the Company, obtained its Certificate of Hi-tech Technological Enterprise, No. GR202011009034 on 2 December 2020 and is entitled to 15% discount of corporate income tax for a period of three years.

Parking Management, a subsidiary of the Company, was entitled to the national income tax concessions for micro and small enterprises for the year.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS

#### 1. Monetary fund

Items	2021.12.31	2020.12.31
Cash on hand	37,609.35	110,845.79
Bank deposits	1,032,310,919.55	809,560,278.47
Other monetary fund	27,416,784.81	38,759,677.36
Total	1,059,765,313.71	848,430,801.62
Incl: total overseas deposits	57,274,668.61	58,634,162.18

Note:

- (1) Other monetary fund is mainly the amount deposited in the performance guarantees account and the stock dividend amount deposited in the stock investment account by the Company.
- (2) Details of restricted monetary fund are set out in Note V.49.

#### 2. Held-for-trading financial assets

Items	2021.12.31	2020.12.31
Held-for-trading financial assets	–	200,000,000.00
Incl: Wealth management products from banks	–	200,000,000.00

#### 3. Notes receivables

Types	2021.12.31	2020.12.31
Bankers' acceptance notes	–	285,962.60

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 4. Accounts receivables

##### (1) Accounts receivables analyzed by aging

Account receivables are recognized when the customer obtains control of goods or services and the Group has an unconditional right to consideration. The Group provides customers with an average credit period of 180 days, and the accounts receivables are non-interest bearing.

Age	2021.12.31	
	Amount	Percentage %
0 – 6 months	259,686,848.87	50.26
6 months – 1 year	43,087,605.41	8.34
1 – 2 years	71,309,667.87	13.80
2 – 3 years	35,548,097.47	6.88
Over 3 years	107,061,229.34	20.72
<b>Subtotal</b>	<b>516,693,448.96</b>	<b>100.00</b>
Less: Bad debts provisions	156,687,306.49	–
<b>Total</b>	<b>360,006,142.47</b>	<b>–</b>

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 4. Accounts receivables (continued)

## (2) Account receivables disclosed by types

Types	Book balance	Percentage %	2021.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
Separate provisions for bad debts	2,742,585.78	0.53	2,427,585.78	88.51	315,000.00
Accounts receivables with provisions for bad debts on a collective basis	513,950,863.18	99.47	154,259,720.71	30.01	359,691,142.47
Incl:					
E-Government business group	406,770,188.89	78.73	99,927,966.91	24.57	306,842,221.98
E-Commerce group	107,180,674.29	20.74	54,331,753.80	50.69	52,848,920.49
Total	516,693,448.96	100.00	156,687,306.49	30.33	360,006,142.47

Types	Book balance	Percentage %	2020.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
Separate provisions for bad debts	2,742,585.78	0.59	2,427,585.78	88.51	315,000.00
Accounts receivables with provisions for bad debts on a collective basis	465,832,611.57	99.41	138,920,795.45	29.82	326,911,816.12
Incl:					
E-Government business group	385,795,662.23	82.33	88,174,888.55	22.86	297,620,773.68
E-Commerce group	80,036,949.34	17.08	50,745,906.90	63.40	29,291,042.44
Total	468,575,197.35	100.00	141,348,381.23	30.17	327,226,816.12

Note:

① Accounts receivables with separate provisions for bad debt at the end of the period

Accounts receivables (by units)	Book balance	Bad debts provisions	Ratio of provision (%)	Reason for provision
Beidaihe Retired Cadres of Beijing Municipal Party (北京市委北戴 河干休所)	2,292,585.78	2,292,585.78	100.00	Expected not to be recovered
China Tongguang Electronics Co., Ltd.	450,000.00	135,000.00	30.00	Expected partly not to be recovered

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 4. Accounts receivables (continued)

## (2) Account receivables disclosed by types (continued)

Note: (continued)

## ② Bad debts provision by portfolio:

E-Government business group:

Age	Book balance	Percentage %	2021.12.31		
			Bad debts provisions	ECL rate (%)	Carrying amount
0-6 months	219,300,852.79	53.91	3,706,184.41	1.69	215,594,668.38
6 months- 1 year	39,532,919.22	9.72	3,727,954.28	9.43	35,804,964.94
1-2 years	52,699,984.20	12.96	13,970,765.81	26.51	38,729,218.39
2-3 years	28,682,633.04	7.05	11,969,262.77	41.73	16,713,370.27
Over 3 years	66,553,799.64	16.36	66,553,799.64	100.00	-
Total	406,770,188.89	100.00	99,927,966.91	24.57	306,842,221.98

Age	Book balance	Percentage %	2020.12.31		
			Bad debts provisions	ECL rate (%)	Carrying amount
0-6 months	224,672,151.45	58.23	2,808,401.88	1.25	221,863,749.57
6 months- 1 year	13,464,480.88	3.49	1,471,667.76	10.93	11,992,813.12
1-2 years	59,215,321.02	15.35	18,587,689.27	31.39	40,627,631.75
2-3 years	41,146,326.24	10.67	18,009,747.00	43.77	23,136,579.24
Over 3 years	47,297,382.64	12.26	47,297,382.64	100.00	-
Total	385,795,662.23	100.00	88,174,888.55	22.86	297,620,773.68

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 4. Accounts receivables (continued)

##### (2) Account receivables disclosed by types (continued)

Note: (continued)

##### ② Bad debts provision by portfolio: (continued)

E-Commerce group:

Age	Book balance	Percentage %	2021.12.31		
			Bad debts provisions	ECL rate (%)	Carrying amount
0-6 months	42,507,451.09	39.66	2,439,927.69	5.74	40,067,523.40
6 months- 1 year	2,712,786.19	2.53	637,504.75	23.50	2,075,281.44
1-2 years	17,579,828.67	16.40	6,873,713.01	39.10	10,706,115.66
2-3 years	6,615,764.42	6.17	6,615,764.42	100.00	-
Over 3 years	37,764,843.92	35.24	37,764,843.92	100.00	-
Total	107,180,674.29	100.00	54,331,753.80	50.69	52,848,920.49

Age	Book balance	Percentage %	2020.12.31		
			Bad debts provisions	ECL rate (%)	Carrying amount
0-6 months	19,363,527.34	24.19	354,352.55	1.83	19,009,174.79
6 months- 1 year	1,968,903.35	2.46	505,417.49	25.67	1,463,485.86
1-2 years	12,949,165.62	16.18	4,130,783.83	31.90	8,818,381.79
2-3 years	924,084.99	1.16	924,084.99	100.00	-
Over 3 years	44,831,268.04	56.01	44,831,268.04	100.00	-
Total	80,036,949.34	100.00	50,745,906.90	63.40	29,291,042.44

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 4. Accounts receivables (continued)

## (2) Account receivables disclosed by types (continued)

Note: (continued)

## ③ Accrual, retrieval and reversal of bad debt provision in this period

	Amount of bad debt provision
2020.12.31	141,348,381.23
Accrual in the current period	15,338,925.26
Retrieval and reversal in the current period	-
Write-off in the current period	-
<b>2021.12.31</b>	<b>156,687,306.49</b>

## ④ Top five accounts receivables based on closing balance by debtor

During the period, the top five accounts receivables based on closing balance by debtor is RMB120,998,790,00 in aggregate, representing 23.42% of the total closing balance of accounts receivable. The closing balance of bad debt provisions is RMB16,264,271.43 in aggregate.

## 5. Financing receivables

Items	2021.12.31	2020.12.31
Notes receivables	3,520,255.80	-
Less: Other comprehensive income – changes in fair value	-	-
Fair value at the end of period	3,520,255.80	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 6. Prepayments

##### (1) Prepayments disclosed by aging

Age	2021.12.31		2020.12.31	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	66,911,050.72	58.68	91,488,604.58	71.00
1-2 years	32,660,001.53	28.64	10,223,734.55	7.93
2-3 years	6,517,486.03	5.72	14,835,394.40	11.51
Over 3 years	7,941,966.35	6.96	12,313,602.32	9.56
Total	114,030,504.63	100.00	128,861,335.85	100.00

##### (2) Major prepayments aged over 1 year

Debtors	Closing balance	Age	Reasons for being outstanding
Beijing Huasheng Chengchuang Technology Co., Ltd. (北京華勝誠創科技有限公司)	15,841,302.14	1-2 years	Settlement conditions are unsatisfied
Beijing Accellence Information Technology Inc. (北京卓華信息技術股份有限公司)	6,905,817.24	1-2 years	Settlement conditions are unsatisfied
Beijing Oriental Botai Zhengtong Communication Engineering Co., Ltd. (北京東方博泰正通通信工程有限責任公司)	3,002,986.05	1-2 years, 2-3 years	Settlement conditions are unsatisfied
Beijing Hengtian Xinda Communication Technology Co., Ltd. (北京恒天信達通信技術有限公司)	2,852,455.00	Over 2 years	Settlement conditions are unsatisfied
China United Network Communications Corporation Limited Beijing Branch (中國聯合網絡通信有限公司北京市分公司)	1,663,190.30	1-2 years	Settlement conditions are unsatisfied
Total	30,265,750.73	-	-

##### (3) Top five prepayment based on closing balance by the unit prepaid

Top five prepayment based on closing balance by the unit prepaid for the period is RMB56,197,002.96 in aggregate, representing 49.28% of total closing balance of prepayment.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 7. Other receivables

Items	2021.12.31	2020.12.31
Other receivables	67,822,877.72	84,982,883.15

## (1) Other receivables

## 1) Other receivables analyzed by aging

Age	2021.12.31	
	Amount	Percentage %
Within 1 year	23,800,330.38	34.67
1-2 years	5,639,376.53	8.21
2-3 years	10,582,150.04	15.42
Over 3 years	28,621,912.48	41.70
<b>Subtotal</b>	<b>68,643,769.43</b>	<b>100.00</b>
<b>Less: Bad debts provisions</b>	<b>820,891.71</b>	
<b>Total</b>	<b>67,822,877.72</b>	



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 7. Other receivables (continued)

## (1) Other receivables (continued)

## 2) Other receivables disclosed by type

Types	Amount	Percentage %	2021.12.31		Net amount
			Bad debts provisions	ECL rate (%)	
Other receivables with separate provisions for bad debt	820,891.71	1.20	820,891.71	100.00	-
Other receivables provisions for bad debts by free-risk group	67,822,877.72	98.80	-	-	67,822,877.72
Other receivables with separate provisions for bad debts by aging	-	-	-	-	-
Sub-total of groups	67,822,877.72	98.80	-	-	67,822,877.72
Total	68,643,769.43	100.00	820,891.71	1.20	67,822,877.72

Types	Amount	Percentage %	2020.12.31		Net amount
			Bad debts provisions	ECL rate (%)	
Other receivables with separate provisions for bad debt	820,891.71	0.96	820,891.71	100.00	-
Other receivables provisions for bad debts by free-risk group	84,982,883.15	99.04	-	-	84,982,883.15
Other receivables with separate provisions for bad debts by aging	-	-	-	-	-
Sub-total of groups	84,982,883.15	99.04	-	-	84,982,883.15
Total	85,803,774.86	100.00	820,891.71	0.96	84,982,883.15

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 7. Other receivables (continued)

## (1) Other receivables (continued)

## 2) Other receivables disclosed by type (continued)

- ① Other receivables that are individually insignificant with bad debt provision on individual basis as at the end of the period

Other receivables (by units)	Book balance at the end of the period	Bad debts provisions	Ratio of provision %	Reason for provision
Shenyang Ocean World Company (瀋陽海洋世界公司)	450,000.00	450,000.00	100.00	On credit for long time and unlikely to be recovered
Guangxi District Construction Engineering Equipment Bidding Center (廣西區建設工程設備招標中心)	100,000.00	100,000.00	100.00	On credit for long time and unlikely to be recovered
Raycom Property Investment Co., Ltd. (融科物業投資有限公司)	84,550.00	84,550.00	100.00	On credit for long time and unlikely to be recovered
People's Bank of China	75,350.00	75,350.00	100.00	On credit for long time and unlikely to be recovered
ARTEC GmbH, Germany	54,000.00	54,000.00	100.00	On credit for long time and unlikely to be recovered
Pinggu District Radio and TV Station, Beijing (北京市平谷區廣播電視中心)	20,000.00	20,000.00	100.00	On credit for long time and unlikely to be recovered
Beijing Gongchuan Kaiyuan Software Co., Ltd. (北京共創開源軟件有限公司)	14,523.84	14,523.84	100.00	On credit for long time and unlikely to be recovered
Beijing Shangfutong Network Technology Co., Ltd. (北京商服通網絡科技有限公司)	11,330.00	11,330.00	100.00	On credit for long time and unlikely to be recovered
Dongguan Longxin Information Technology Co., Ltd. (東莞市龍信信息技術有限公司)	4,043.89	4,043.89	100.00	On credit for long time and unlikely to be recovered
Information Office of Beijing Municipal (北京市信息化工作辦公室)	3,300.00	3,300.00	100.00	On credit for long time and unlikely to be recovered
Liaoning Branch of Capinfo Company (首都公司遼寧分公司)	1,733.44	1,733.44	100.00	Deregistered company and amount could not be recovered
Kaiwei Company (凱威公司)	1,019.54	1,019.54	100.00	On credit for long time and unlikely to be recovered
Beijing Bawei Online E-commerce Co., Ltd. (北京八維在線電子商務有限責任公司)	1,000.00	1,000.00	100.00	On credit for long time and unlikely to be recovered
Beijing Feikangda Logistics Service Co., Ltd. (北京飛康達物流服務有限公司)	41.00	41.00	100.00	On credit for long time and unlikely to be recovered
Total	820,891.71	820,891.71	100.00	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 7. Other receivables (continued)

##### (1) Other receivables (continued)

##### 3) Other receivables disclosed by nature of payment

Items	2021.12.31	2020.12.31
Margin	34,145,015.39	62,309,910.98
Contingency provision	3,067,013.23	3,327,199.46
Current accounts and others	31,431,740.81	20,166,664.42
<b>Total</b>	<b>68,643,769.43</b>	<b>85,803,774.86</b>

##### 4) Accrual, retrieval and reversal of bad debt provision in this period

Bad debts provisions	First stage	Second stage	Third stage	Total
	Future 12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance at 31 December 2020	-	-	820,891.71	820,891.71
Balance at 31 December 2020 during the period	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 1	-	-	-	-
Accrual in this period	-	-	-	-
Reversal in this period	-	-	-	-
Balance at 31 December 2021	-	-	820,891.71	820,891.71

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 7. Other receivables (continued)

## (1) Other receivables (continued)

## 5) Top five other receivables by debtor

Unit	Nature of amount	Closing balance of other receivables	Age	Percentage of closing balance of total other receivables (%)	Bad debts provisions
Capnet Company Limited	Current account	10,315,813.61	Within 1 year; 1-2 years; 2-3 years; over 3 years	15.03	-
Changping Branch of Beijing Municipal Public Security Bureau	Margin	6,350,882.47	2-3 years; over 3 years	9.25	-
Beijing Xinlongfu Culture Investment Co., Ltd.	Margin	5,018,464.29	1-2 years; over 3 years	7.31	-
Beijing Environmental Protection Monitoring Center (北京市環境保護監測中心)	Margin	2,929,498.40	Over 1 years	4.27	-
Zhongta Co., Ltd. (中塔有限責任公司)	Current account; margin	1,593,321.58	Within 1 year; over 3 years	2.32	-
Total	-	26,207,980.35	-	38.18	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 8. Inventories

##### (1) Classification of inventories

Types of inventories	2021.12.31			2020.12.31		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Cost of contract performance	215,117,351.99	-	215,117,351.99	248,438,518.80	-	248,438,518.80
Finished products	12,347,464.78	-	12,347,464.78	32,921,938.79	22,262,114.19	10,659,824.60
Total	227,464,816.77	-	227,464,816.77	281,360,457.59	22,262,114.19	259,098,343.40

##### (2) Provision for impairment of inventories

Types of inventories	2020.12.31	Increase during the period		Decrease during the period		2021.12.31
		Provision	Others	Reversals or transfer	Others	
Finished goods	22,262,114.19	-	-	22,262,114.19	-	-

#### 9. Contractual assets

Items	2021.12.31	2020.12.31
Contractual assets	26,204,080.91	70,872,077.55
Less: Provisions for the impairment of contractual assets	1,195,527.10	2,164,542.56
Subtotal	25,008,553.81	68,707,534.99
Less: Contractual assets presented under other non-current assets	-	-
Total	25,008,553.81	68,707,534.99

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 9. Contractual assets (continued)

## (1) Contractual assets disclosed by category

Types	Book balance	Percentage %	2021.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
Contractual assets with separate provisions for bad debt	-	-	-	-	-
Contractual assets with provisions for bad debts by groups	26,204,080.91	100.00	1,195,527.10	4.56	25,008,553.81
Incl:	-				
E-Government business group	24,127,808.24	92.08	939,695.70	3.89	23,188,112.54
E-Commerce group	2,076,272.67	7.92	255,831.39	12.32	1,820,441.28
Total	26,204,080.91	100.00	1,195,527.10	4.56	25,008,553.81

Types	Book balance	Percentage %	2020.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
Contractual assets with separate provisions for bad debt	-	-	-	-	-
Contractual assets with provisions for bad debts by groups	70,872,077.55	100.00	2,164,542.56	3.05	68,707,534.99
Incl:					
E-Government business group	62,484,620.02	88.17	1,543,279.10	2.47	60,941,340.92
E-Commerce group	8,387,457.53	11.83	621,263.46	7.41	7,766,194.07
Total	70,872,077.55	100.00	2,164,542.56	3.05	68,707,534.99

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 9. Contractual assets (continued)

## (1) Contractual assets disclosed by category (continued)

## ① Bad debts provisions by groups:

## E-Government business group

Age	Book balance	Percentage %	2021.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
0-6 months	17,255,253.39	71.52	291,613.78	1.69	16,963,639.61
6 months- 1 year	6,872,554.85	28.48	648,081.92	9.43	6,224,472.93
<b>Total</b>	<b>24,127,808.24</b>	<b>100.00</b>	<b>939,695.70</b>	<b>3.89</b>	<b>23,188,112.54</b>

Age	Book balance	Percentage %	2020.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
0-6 months	54,610,432.46	87.40	682,630.40	1.25	53,927,802.06
6 months- 1 year	7,874,187.56	12.60	860,648.70	10.93	7,013,538.86
1-2 years	-	-	-	-	-
<b>Total</b>	<b>62,484,620.02</b>	<b>100.00</b>	<b>1,543,279.10</b>	<b>2.47</b>	<b>60,941,340.92</b>

## E-Commerce group:

Age	Book balance	Percentage %	2021.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
0-6 months	1,417,518.50	68.27	81,365.56	5.74	1,336,152.94
6 months- 1 year	532,737.50	25.66	125,193.31	23.50	407,544.19
1-2 years	126,016.67	6.07	49,272.52	39.10	76,744.15
<b>Total</b>	<b>2,076,272.67</b>	<b>100.00</b>	<b>255,831.39</b>	<b>12.32</b>	<b>1,820,441.28</b>

Age	Book balance	Percentage %	2020.12.31		Carrying amount
			Bad debts provisions	ECL rate (%)	
0-6 months	6,425,322.53	76.61	117,583.40	1.83	6,307,739.13
6 months- 1 year	1,962,135.00	23.39	503,680.06	25.67	1,458,454.94
<b>Total</b>	<b>8,387,457.53</b>	<b>100.00</b>	<b>621,263.46</b>	<b>7.41</b>	<b>7,766,194.07</b>

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 9. Contractual assets (continued)

## (2) Accrual, retrieval and reversal of contractual assets provision in this period

Items	Accrual in this period	Reversal in this period	Transfer/Write-off in this period	Reason
Provisions for the impairment of contractual assets	-	969,015.46	-	-

## 10. Other current assets

Items	2021.12.31	2020.12.31
Input value-added tax to be deducted	1,914,552.99	7,278,546.67
Prepaid income tax	8,139,738.66	-
Total	10,054,291.65	7,278,546.67

## 11. Long-term equity investments

Investee	Balance at beginning of period	Increase/decrease during the period								Closing balance	Closing balance of impairment provisions
		Increase in investment	Decrease in investment	Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Cash dividend or profit declare	Provision for impairment	Others		
Associates											
Beijing Certificate Authority Co., Ltd.	198,140,068.96	-	-	30,440,527.25	-	35,235.81	4,722,393.10	-	-	223,893,438.92	-
Beijing Culture and Sports Technology Co., Ltd. (北京文化體育科技有限公司)	3,282,156.56	-	-	403,005.85	-	-	-	-	-	2,879,150.71	-
Chongqing Hongxin Haoyu Network Technology Co., Ltd. (重慶宏信瀚宇網絡技術有限公司)	3,862,753.24	-	-	-	-	-	-	-	-	3,862,753.24	3,862,753.24
Total	205,284,978.76	-	-	30,037,521.40	-	35,235.81	4,722,393.10	-	-	230,635,342.87	3,862,753.24

## 12. Other equity instrument investments

Items	2021.12.31	2020.12.31
Capinfo Soft Co., Ltd.	-	-
Uniresource Investment Co., Ltd. (紫光信業投資股份有限公司)	-	-
Loyalty Alliance Enterprise Corporation ("LAEC")	-	-
Total	-	-

Note: The Group may designate the long-term investments held for strategic purposes as financial assets measured at fair value through other comprehensive income.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 13. Other non-current financial assets

Types	2021.12.31	2020.12.31
Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥))	15,800,000.00	2,000,000.00

#### 14. Investment properties

Items	Buildings and structures
I. Original book value	
1. 2020.12.31	74,320,626.80
2. Increment for the period	–
3. Decrement for the period	–
4. 2021.12.31	74,320,626.80
II. Accumulated depreciation and accumulated amortization	
1. 2020.12.31	44,131,346.64
2. Increment for the period	3,620,574.72
(1) Provision or amortization	3,620,574.72
3. Decrement for the period	–
4. 2021.12.31	47,751,921.36
III. Provision for impairment	
1. 2020.12.31	–
2. Increment for the period	–
3. Decrement for the period	–
4. 2021.12.31	–
IV. Book value	
1. Book value at 2021.12.31	26,568,705.44
2. Book value at 2020.12.31	30,189,280.16

Note:

- (1) Details of certificate of title to be obtained

Items	Carrying amount	Reason for no certificate of title
Digital Beijing Building	26,568,705.44	Yet to be obtained

The above investment properties depreciation is calculated on the straight-line basis at an annual rate of 5%.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 15. Fixed assets

Items	2021.12.31	2020.12.31
Fixed assets	79,241,213.04	66,125,383.77
Disposal of fixed assets	–	–
Total	79,241,213.04	66,125,383.77

## (1) Fixed assets

Items	Machinery & equipment	Others	Total
I. Original book value			
1. 2020.12.31	582,318,075.22	47,305,074.20	629,623,149.42
2. Increment for the period	54,557,003.16	2,136,509.62	56,693,512.78
(1) Purchase	54,557,003.16	2,136,509.62	56,693,512.78
(2) Transferred from construction in progress	–	–	–
3. Decrement for the period	6,410.26	–	6,410.26
(1) Disposal or write-off	6,410.26	–	6,410.26
4. 2021.12.31	636,868,668.12	49,441,583.82	686,310,251.94
II. Accumulated depreciation			
1. 2020.12.31	538,319,823.74	25,177,941.91	563,497,765.65
2. Increment for the period	26,555,354.75	17,022,008.25	43,577,363.00
(1) Provision	26,555,354.75	17,022,008.25	43,577,363.00
3. Decrement for the period	6,089.75	–	6,089.75
(1) Disposal or write-off	6,089.75	–	6,089.75
4. 2021.12.31	564,869,088.74	42,199,950.16	607,069,038.90
III. Provision for impairment			
1. 2020.12.31	–	–	–
2. Increment for the period	–	–	–
3. Decrement for the period	–	–	–
4. 2021.12.31	–	–	–
IV. Book value			
1. Book value at 2021.12.31	71,999,579.38	7,241,633.66	79,241,213.04
2. Book value at 2020.12.31	43,998,251.48	22,127,132.29	66,125,383.77

Note: The Group has no fixed assets which have been pledged or secured during the period.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 16. Right-of-use assets

Items	Buildings and structures
I. Original book value	
1.2020.12.31	106,121,030.14
2.Increment for the period	
(1) Addition of new lease	10,103,312.95
(2) Remeasurement	15,076,448.36
3.Decrement for the period	
(1) Termination of lease	53,812,438.85
4.2021.12.31	77,488,352.60
II. Accumulated depreciation	
1.2020.12.31	43,941,987.71
2.Increment for the period	
(1) Provision	30,569,835.73
3. Decrement for the period	
(1) Termination of lease	50,293,721.78
4. 2021.12.31	24,218,101.66
III. Provision for impairment	
1. 2020.12.31	-
2. Increment for the period	-
3. Decrement for the period	-
4. 2021.12.31	-
IV. Book value	
1. Book value at 2021.12.31	53,270,250.94
2. Book value at 2020.12.31	62,179,042.43

- (1) The Group adopted a simplified method for the lease of short-term leased assets, and the amount of RMB5,593,312.09 was charged into the profit and loss for the current period.
- (2) The total cash outflow in relation to the lease for the period was RMB37,436,323.49.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 17. Intangible assets

Items	Software	Customer relationship	Total
I. Original book value			
1. 2020.12.31	191,948,648.4	2,328,003.18	194,276,651.58
2. Increment for the period	13,116,500.73	–	13,116,500.73
(1) Purchase	4,317,161.89	–	4,317,161.89
(2) Internal R&D	8,799,338.84	–	8,799,338.84
3. Decrement for the period	–	–	–
4. 2021.12.31	205,065,149.13	2,328,003.18	207,393,152.31
II. Accumulated amortization			
1. 2020.12.31	167,296,182.87	2,328,003.18	169,624,186.05
2. Increment for the period	13,646,775.78	–	13,646,775.78
(1) Provision	13,646,775.78	–	13,646,775.78
3. Decrement for the period	–	–	–
4. 2021.12.31	180,942,958.65	2,328,003.18	183,270,961.83
III. Provision for impairment			
1. 2020.12.31	–	–	–
2. Increment for the period	–	–	–
3. Decrement for the period	–	–	–
4. 2021.12.31	–	–	–
IV. Book value			
1. Book value at 2021.12.31	24,122,190.48	–	24,122,190.48
2. Book value at 2020.12.31	24,652,465.53	–	24,652,465.53

Note: At the end of period, intangible assets from internal R&D represents 4.24% of the balance of intangible assets.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 18. Development expenditures

Items	2020.12.31	Increase during the period		Decrease during the period		2021.12.31
		Internal development expenditures	Other increment	Recognized as intangible assets	Included in current profit or loss	
Development expenditures	5,557,961.84	9,199,699.06	-	8,799,338.84	2,024,168.15	3,934,153.91

#### 19. Goodwill

##### (1) Original carrying amount of goodwill

Investee or items resulted in goodwill	2020.12.31	Increase during the period		Decrease during the period		2021.12.31
		Business combination and formation	Others	Disposal	Others	
Rito Info	184,597,722.06	-	-	-	-	184,597,722.06

##### (2) Provisions for impairment of goodwill

Investee or items resulted in goodwill	2020.12.31	Increase during the period		Decrease during the period		2021.12.31
		Provisions	Others	Disposal	Others	
Rito Info	76,799,338.69	107,798,383.37				184,597,722.06

Note: The Group engaged a third party appraisal agency to assist in the test for impairment of the Group's goodwill by using the present value of estimated future cash flows method to calculate the recoverable amount of the asset group. The test was based on the past performance of Rito Info and its expectation of market development, and the cash flow in the following 5 years was estimated on financial budget and the growth rate of cash flow adopted in the subsequent years was estimated to be 0 (last period: 0), which will not exceed the long-term average growth rate of operations of asset group. The discount rate adopted in the process of calculating future cash inflow was 15.08% (last period: 14.12%). According to the results of the impairment test, impairment of goodwill at the end of the current period was RMB184,597,722.06 (end of last period: RMB76,799,338.69).

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 20. Long-term deferred expenses

Items	2020.12.31	Increase during the period	Decrease during the period		2021.12.31
			Amortization for the period	Other decrement	
Broadband charges	12,499.68	–	12,499.68	–	–
Refurbishment costs	263,761.97	–	168,911.66	–	94,850.31
Construction and installment fees	20,130,936.73	15,455,188.37	11,318,298.38	–	24,267,826.72
Total	20,407,198.38	15,455,188.37	11,499,709.72	–	24,362,677.03

## 21. Deferred income tax assets and deferred income tax liabilities

## (1) Deferred income tax assets and deferred income tax liabilities before offset

Items	2021.12.31		2020.12.31	
	Deductible/ taxable temporary difference	Deferred income tax assets/ liabilities	Deferred income tax assets/ liabilities	Deferred income tax assets/ liabilities
<b>Deferred income tax assets:</b>				
Provision for credit impairment	156,257,832.76	20,502,804.63	144,190,391.50	18,952,696.48
Other payables	202,584,929.31	26,087,083.02	200,829,287.41	26,145,163.36
Amortization of intangible assets	40,974,089.50	4,789,106.79	48,917,272.75	5,980,584.28
Payroll payables	38,092,133.31	4,214,577.92	50,069,252.64	6,041,501.50
Deferred income	2,069,790.28	281,979.03	–	–
<b>Non-current liabilities due within one year</b>				
Leases	8,754,520.17	881,433.53	6,476,167.38	647,616.74
Sub-total	448,733,295.33	56,756,984.92	452,002,983.30	57,919,623.52
<b>Deferred income tax liabilities:</b>				
Acceleration of charging of fixed assets	20,948,163.14	3,142,224.47	25,154,140.60	6,145,353.63
Leases	1,061,674.45	106,167.45	–	–
Subtotal	22,009,837.59	3,248,391.92	25,154,140.60	6,145,353.63

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 21. Deferred income tax assets and deferred income tax liabilities (continued)

- (2) Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Items	2021.12.31	2020.12.31
Deductible losses	1,359,495.33	4,028,875.24
Provision for inventory impairment	–	22,262,114.19
Credit impairment losses	230,485.68	143,424.00
Total	1,589,981.01	26,434,413.43

- (3) Deductible losses of unrecognized deferred income tax assets will due in the following years

Year	2021.12.31	2020.12.31
2025	–	4,028,875.24
2026	1,359,495.33	–
Total	1,359,495.33	4,028,875.24

#### 22. Accounts payables

- (1) Accounts payables disclosed by types

Items	2021.12.31	2020.12.31
Payment for goods	297,220,073.28	289,575,272.96

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 22. Accounts payables (continued)

## (2) Accounts payables disclosed by aging

Items	2021.12.31	2020.12.31
Within 1 year	148,568,086.71	201,731,319.99
1-2 years	90,165,759.43	47,675,095.66
2-3 years	22,926,772.66	20,933,676.79
Over 3 years	35,559,454.48	19,235,180.52
Total	297,220,073.28	289,575,272.96

Note: Aging of accounts payable is presented according to the date of receipt of goods and acceptance of labour.

Of which, major contractual liabilities aged over 1 year

Items	End of the period	Reasons for being outstanding or not carried forward
Beijing United Video Technology Co., Ltd. (北京聯合視訊技術有限公司)	13,296,328.00	Project not settled
Beijing Huacheng Zhiyun Software Co., Ltd. (北京華成智雲軟件股份有限公司)	8,380,772.00	Project not settled
CONVision Technology Co., Ltd. (北京康威視通科技有限公司)	4,863,600.28	Project not settled
Zhong Jin Guo Yin (Beijing) Information Service Co., Ltd. (中金國銀(北京)信息服務有限公司)	4,295,595.28	Project not settled
Beijing Xianke Electronic System Engineering Co., Ltd. (北京希安科電子系統工程有限責任公司)	3,812,194.37	Project not settled
Beijing Dazhong Online Network Technology Co., Ltd. (北京大 在綫網絡技術有限公司)	3,393,016.67	Project not settled
Beijing Telephone Engineering Co., Ltd. (北京市電話工程有限公司)	2,114,236.86	Project not settled
Beijing Fanglian Shiji Information Technology Co., Ltd. (北京方聯世紀信息技術有限公司)	1,934,546.50	Project not settled
Beijing Huati United Technology Co., Ltd. (北京華體聯合科技有限公司)	1,798,467.99	Project not settled
Beijing Branch of Hangzhou Hikvision Digital Technology Co., Ltd.	1,650,671.98	Project not settled
Wuhan LiloSoft Co., Ltd.	1,574,022.52	Project not settled
Beijing Ether Peony Electronic Engineering Co., Ltd. (北京益泰牡丹電子工程有限責任公司)	1,513,622.00	Project not settled
Total	48,627,074.45	–



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 23. Contractual Liabilities

Items	2021.12.31	2020.12.31
Item receipt	342,152,923.04	420,904,962.17

Of which, major contractual liabilities aged over 1 year

Items	End of the period	Reasons for being outstanding or not carried forward
Beijing Municipal Medical Insurance Bureau	14,596,374.51	Project not settled
Business Unit 1	9,065,378.38	Project not settled
Beijing Environmental Protection Monitoring Center	7,827,627.95	Project not settled
Public Security and Traffic Administration Bureau of Beijing Municipal Bureau of Public Security	7,630,993.12	Project not settled
Beijing Municipal Commission for City Planning and Land Resources Management	5,931,612.96	Project not settled
Office of the CPC Beijing Xicheng District Committee	2,953,613.30	Project not settled
Beijing Municipal Bureau of Land Resources	2,653,655.56	Project not settled
Beijing National Speed Skating Pavilion Management Co., Ltd.	2,649,700.02	Project not settled
Total	53,308,955.80	-

Note: Contractual liabilities at the beginning of the year of 2021 was RMB420,904,962.17, of which, RMB251,571,323.78 were recognized in 2021.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 24. Payroll payables

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31
Short-term compensation	92,283,353.64	406,182,620.30	411,182,496.32	87,283,477.62
Post-termination benefit – defined contribution plan	2,204,712.17	43,972,179.23	42,880,860.59	3,296,030.81
Demission benefit	140,229.00	59,460.00	199,689.00	–
Total	94,628,294.81	450,214,259.53	454,263,045.91	90,579,508.43

## (1) Short-term compensation

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31
Wages, bonuses, allowances, subsidies	83,778,188.02	339,500,443.42	345,833,600.02	77,445,031.42
Welfare expenses		97,470.00	97,470.00	–
Social insurances	2,393,298.20	28,190,122.00	28,397,332.93	2,186,087.27
Incl: 1. Medical insurance expenditures	2,371,747.49	27,587,715.76	27,815,002.46	2,144,460.79
2. Work injury insurance expenditures	20,614.51	502,358.77	481,346.80	41,626.48
3. Maternity insurance	936.2	100,047.47	100,983.67	–
Housing Provident Fund	21,448.00	34,028,934.08	34,005,978.08	44,404.00
Labor union expenditures and employee education expenses	6,090,419.42	4,365,650.80	2,848,115.29	7,607,954.93
Total	92,283,353.64	406,182,620.30	411,182,496.32	87,283,477.62

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 24. Payroll payables (continued)

##### (2) Defined contribution plan

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31
Post-termination benefit	2,204,712.17	43,972,179.23	42,880,860.59	3,296,030.81
Incl: 1. Basic endowment insurance	2,099,356.48	42,384,789.01	41,288,730.51	3,195,414.98
2. Unemployment insurance	105,355.69	1,587,390.22	1,592,130.08	100,615.83
Total	2,204,712.17	43,972,179.23	42,880,860.59	3,296,030.81

Note: The employees of the Company and its subsidiaries participate in a retirement benefit scheme operated by the government of the Mainland China and managed by the state. The Company and its subsidiaries calculate and contribute to the retirement fund in accordance with relevant laws and regulations. The local government of the Mainland China is responsible for paying all pensions to retired employees. No forfeited contributions (by employees who leave the scheme prior to vesting fully in such contributions) shall be used by the Company to reduce the existing contribution level.

#### 25. Tax payables

Taxes	2021.12.31	2020.12.31
Corporate income tax	20,707,772.50	23,468,565.82
Value-added tax	17,947,733.22	14,833,233.40
City maintenance and construction tax	1,713,993.97	1,769,031.02
Education surcharges	1,100,954.28	1,146,414.17
Individual income tax	708,367.04	544,824.99
Stamp duty	95,262.40	295,559.70
Land use tax	17,686.62	8,843.31
Total	42,291,770.03	42,066,472.41

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 26. Other payables

Items	2021.12.31	2020.12.31
Other payables	279,476,092.60	279,986,250.26
Dividend payables	23,980,284.28	–
Total	303,456,376.88	279,986,250.26

## (1) Other payables

Items	2021.12.31	2020.12.31
Margin and deposits, quality guarantee deposit	6,017,431.63	6,553,717.04
Current account	18,941,638.90	20,533,545.03
Project bills payable	237,999,804.29	228,210,750.08
Non-operating current accounts of related parties	12,000,000.00	12,000,000.00
Others	4,517,217.78	12,688,238.11
Total	279,476,092.60	279,986,250.26

Of which, major other payables aged over 1 year

Items	Amount	Reasons for being outstanding or not carried forward
Beijing State-owned Assets Management Co., Ltd.	12,000,000.00	Settlement conditions are unsatisfied
Capnet Company Limited	6,792,257.30	Settlement conditions are unsatisfied
GDS Holdings Ltd.	2,935,778.12	Settlement conditions are unsatisfied
Beijing Chinese Cultural Development – Culture Investment and Management Company Limited (北京中文發文化投資管理有限公司)	2,340,000.00	Settlement conditions are unsatisfied
Total	24,068,035.42	–

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 26. Other payables (continued)

##### (2) Dividend payables

Items	2021.12.31	2020.12.31
Dividend on ordinary shares	23,980,284.28	–
Total	23,980,284.28	–

#### 27. Non-current liabilities due within 1 year

Items	2021.12.31	2020.12.31
Lease liabilities due within one year	28,191,967.01	26,451,390.24
Long-term payables due within one year	54,631,941.15	52,473,218.69
Total	82,823,908.16	78,924,608.93

##### (1) Lease liabilities due within one year

Items	2021.12.31	2020.12.31
Lease liabilities due within one year	28,191,967.01	26,451,390.24

##### (2) Long-term payables due within one year

Items	2021.12.31	2020.12.31
Contingent consideration of Rito Info	54,631,941.15	52,473,218.69

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 28. Lease liabilities

Items	2021.12.31	2020.12.31
Original value of lease payables	56,904,357.14	67,823,088.93
Interest adjustment for lease payables	2,806,597.28	4,123,434.88
Net value of lease payables	54,097,759.86	63,699,654.05
Less: Lease payables due within one year	28,191,967.01	26,451,390.24
Total	25,905,792.85	37,248,263.81

The Group adopted incremental borrowing rate as discount rate when calculating the present value of the lease payments. The incremental borrowing rate determined by the Group was 4.75% per annum. The interest expenses of lease liabilities recognized in the profit of loss for the current period was RMB2,870,433.53.

## 29. Deferred income

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Reason
Government grant	9,841,955.52	1,500,000.00	9,272,165.24	2,069,790.28	Fiscal appropriation

Note: Details of government grant included in deferred income see note XIII.3. Government grants.

## 30. Share capital (unit: ten thousand shares)

Items	2020.12.31	Increment/Decrement for the period (+ · -)					Subtotal	2021.12.31
		New shares issued	Stock dividend	Reserve to shares	Others			
Total shares	289,808.61	-	-	-	-	-	289,808.61	

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 31. Capital reserves

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31
Share capital premium	259,229,641.55	–	–	259,229,641.55
Other capital reserves	39,614,837.27	35,235.81	–	39,650,073.08
Total	298,844,478.82	35,235.81	–	298,879,714.63

#### 32. Other comprehensive income

Items	2020.12.31	Amount for current period					2021.12.31
		The pre-income tax amount for current period	Less: Amount transferred to profit or loss for current period included other comprehensive income in previous period	Less: Income tax expense	Attributable to the parent after taxation	Attributable to minority shareholders after taxation	
I. Other comprehensive income not subject to reclassification to profit or loss							
1. Fair value changes of other equity instrument investment	-8,443,166.86	–	–	–	–	–	-8,443,166.86
Total other comprehensive income	-8,443,166.86	–	–	–	–	–	-8,443,166.86

#### 33. Surplus reserves

Items	2020.12.31	Increase during the period	Decrease during the period	2021.12.31
Statutory surplus reserve	110,088,861.18	8,436,047.79	–	118,524,908.97

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 34. Unallocated profits

Items	Amount for current period	Amount for last period
Unallocated profits at the end of last period before adjustment	490,920,537.69	431,229,319.27
Total amount of adjustment for unallocated profits at the beginning of period ("+" for plus; "-" for less)	-	-
Unallocated profits at the beginning of period after adjustment	490,920,537.69	431,229,319.27
Plus: net profit attributable to shareholders during the period	18,346,847.52	127,490,034.27
Less: withdrawal of statutory surplus reserves	8,436,047.79	10,416,751.52
Dividend payable on ordinary shares	57,382,104.60	57,382,064.33
Undistributed profits at end of period	443,449,232.82	490,920,537.69

Notes:

According to the requirements of the Company's Articles of Association, available-for-distribution profits for the Company's shareholders refer to amounts in the statements prepared in accordance with the Chinese Accounting Standards and Regulations.

## 35. Operating income and operating cost

Items	Amount for current period		Amount for last period	
	Income	Cost	Income	Cost
Main businesses	1,408,622,364.82	912,653,343.69	1,394,158,551.79	912,229,743.05
Other business	18,152,020.97	4,509,322.05	16,406,868.60	4,550,441.56



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 35. Operating income and operating cost (CONTINUED)

## (1) Main businesses (sub-businesses)

Name of business	Amount for current period		Amount for last period	
	Operating income	Operating cost	Operating income	Operating cost
Software development and service	624,527,789.10	354,878,824.01	593,894,610.84	339,984,576.87
System integration	507,456,501.54	378,560,849.73	504,049,569.76	382,220,788.75
Data processing service	244,462,963.80	152,419,235.45	280,104,911.07	176,129,968.08
Information professional service	32,175,110.38	26,794,434.50	16,109,460.12	13,894,409.35
Total	1,408,622,364.82	912,653,343.69	1,394,158,551.79	912,229,743.05

## (2) Other businesses (sub-businesses)

Name of business	Amount for current period		Amount for last period	
	Operating income	Operating cost	Operating income	Operating cost
Rental income from investment property	18,152,020.97	4,509,322.05	16,279,713.49	4,550,441.56
Income from subject fund project	-	-	127,155.11	-
Total	18,152,020.97	4,509,322.05	16,406,868.60	4,550,441.56

## (3) Timing of revenue recognition

Revenue recognition method	2021
At a certain point of time	645,587,422.84
Over a period of time	763,034,941.98
Total	1,408,622,364.82

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 36. Sales expenses

Items	Amount for current period	Amount for last period
Employee compensation	124,029,942.73	110,991,616.70
Housing rents	6,777,477.49	9,491,120.51
Depreciation and amortization	2,056,644.36	2,009,802.11
External negotiation fee	2,690,248.45	1,493,757.87
Entertainment fee	32,239.52	203,089.00
Transportation fee	308,735.54	236,129.35
Communication fee	322,317.97	449,097.10
Office expenses	523,140.65	256,022.77
Others	1,101,360.31	459,665.02
Total	137,842,107.02	125,590,300.43

## 37. Administrative expenses

Items	Amount for current period	Amount for last period
Employee compensation	68,682,699.54	68,640,094.51
Rents & leases	13,313,146.10	18,679,327.98
Depreciation and amortization	14,397,583.47	4,620,487.99
Property and water & electricity fee	6,199,247.59	3,995,640.97
Consulting fee	2,417,153.28	3,388,970.90
Disabled security fund	2,420,768.55	2,639,699.32
Audit and evaluation fee	2,352,492.05	2,000,529.06
Travelling expense	1,681,332.89	1,741,566.56
Office expenses	9,348,998.72	4,231,210.25
Service fee	1,771,943.74	1,809,122.43
Transportation fee	116,021.28	108,424.18
Entertainment fee	4,052.00	32,919.29
Communication fee	245,140.57	212,980.63
Others	5,656,329.01	3,729,148.41
Total	128,606,908.79	115,830,122.48

Remuneration paid to the auditors by the Group for the current year was RMB1,620,000.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 38. R&D expenses

Items	Amount for current period	Amount for last period
Employee compensation	100,966,826.41	85,743,551.33
Entrust external research and development expenses	3,829,436.64	1,865,176.70
Depreciation and amortization	16,490,691.31	9,615,386.23
Others	1,596,250.35	3,028,277.57
Total	122,883,204.71	100,252,391.83

#### 39. Finance expenses

Items	Amount for current period	Amount for last period
Interest expenses	2,870,433.53	2,954,776.05
Less: Interest income	14,824,368.80	8,933,462.02
Exchange difference	1,157,242.24	2,006,855.31
Bank charges and others	225,478.97	109,442.14
Total	-10,571,214.06	-3,862,388.52

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 40. Other income

Grant projects (source of other income)	Amount for current period	Amount for last period	Related to assets/ income
Health and Elder Cross border Service Platform – Research and application demonstration of key technologies of modern service industry	3,050,000.00	–	Related to assets
Collaboration on the 2017 Cyberspace Security Key Project titled Research, Development and Application of Demonstration of the Information Services Trust Management Platform	949,700.00	–	Related to income
Cyberspace Security Key Item – “Trustworthiness and Functional Integrity Certification Technology Research of Information Service ”	920,000.00	–	Related to assets
Cyberspace Security-Key Technology of Service Authentication and Certification Based on Domestic Cryptographic Algorithm Development and Application of Information Service Trusted Management Platform	780,300.00	–	Related to assets
Cyberspace Security – “Key Technology for Service Certification and Certification Based on Domestic Cryptographic Algorithm” item – “Research on Information Service Security Evaluation System and Evaluation Standards”	450,000.00	–	Related to assets
Service fees of project of China Academy of Information and Communication Technology	440,000.00	–	Related to assets
Employment subsidy	375,798.36	–	Related to income
Third batch of enterprises R&D subsidy in 2021	233,600.00	–	Related to income
Support funds of Z-Park’s Beijing Medical Information Service Platform project based on big data analysis	242,165.24	379,011.04	Related to assets
Tax refund fee	227,136.56	–	Related to income

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 40. Other income (continued)

Grant projects (source of other income)	Amount for current period	Amount for last period	Related to assets/ income
Tax credit	227,121.50	519,761.22	Related to income
Second batch of enterprises R&D subsidy in 2021	204,300.00	-	Related to income
Six batch of enterprises R&D subsidy in 2020	143,600.00	-	Related to income
Technology trading bonus in 2020	30,053.00	-	Related to income
Subsidies for the difference in social insurance for rural laborers recruited by employers from Xiamen Bureau of Human Resources and Social Security	10,145.70	-	Related to income
Fourth batch of enterprises R&D subsidy in 2019	-	452,000.00	Related to income
Second batch of enterprises R&D subsidy in 2020	-	109,200.00	Related to income
Technology trading bonus in 2019	-	132,427.00	Related to income
Municipal software and information technology services industry special fund (First batch) in 2020 from Xiamen Industrial and Information Technology Bureau	-	150,000.00	Related to income
Others	88,652.88	504,684.78	Related to income
<b>Total</b>	<b>8,372,573.24</b>	<b>2,247,084.04</b>	<b>-</b>

Notes: For details of government grant, please see Note XIII.3 Government grant

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 41. Investment gain

Items	Amount for current period	Amount for last period
Gains on long-term equity investments calculated on equity method	30,037,521.40	22,104,688.95
Income from structural deposits	3,529,123.28	7,554,082.73
Total	33,566,644.68	29,658,771.68

Notes: See Notes V.11 for "Gains on long-term equity investments calculated on equity method"

## 42. Impairment losses of credit (loss is marked by "-")

Items	Amount for current period	Amount for last period
Bad debts losses of notes and accounts receivables	-15,338,925.26	-9,994,429.49
Total	-15,338,925.26	-9,994,429.49

## 43. Assets impairment loss (loss is marked by "-")

Items	Amount for current period	Amount for last period
Impairment loss on goodwill	-107,798,383.37	-13,953,976.15
Impairment loss on development expenses	-127,399.77	-
Others	969,015.46	-192,611.36
Total	-106,956,767.68	-14,146,587.51

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

#### 44. Gain from disposal of assets

Items	Amount for current period	Amount for last period
Gains on disposal of fixed assets (loss is marked by "-")	-128.51	146,165.00
Others	3,571,821.53	-
Total	3,571,693.02	146,165.00

#### 45. Non-operating income

Items	Amount for current period	Amount for last period	Amount included in non-recurring profit or loss for current period
Others	94,988.73	1,345,433.97	94,988.73

#### 46. Non-operating expenses

Items	Amount for current period	Amount for last period	Amount included in non-recurring profit or loss for current period
Default	2,158,808.69	2,158,722.46	2,158,808.69
Charity donation	300,000.00	300,000.00	300,000.00
Loss on destroyed and damaged noncurrent assets	-	19,643.87	-
Others	-	127,964.00	-
Total	2,458,808.69	2,606,330.33	2,458,808.69

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 47. Income tax expenses

## (1) Breakdown of income tax expenses

Items	Amount for current period	Amount for last period
Current income tax calculated in accordance with the tax law and relevant provisions	17,513,319.12	25,379,400.20
Deferred income tax expense	-1,734,323.11	-7,760,553.45
Total	15,778,996.01	17,618,846.75

## (2) Relationship between income tax expense and total profit is stated as follow:

Items	Amount
Total profit	45,636,587.89
Income tax expenses calculated at statutory (or applicable) tax rate	4,563,658.79
Effect of certain subsidiaries applicable to various tax rates	1,019,555.45
Adjustments in respect of current tax of previous periods	6,587,186.00
Profit or loss from joint ventures and associates accounted for using the equity method	-3,003,752.14
Effect of non-deductible costs, expenses and losses	209,144.36
Tax effect of deductible losses and deductible temporary difference not recognized	5,575,011.62
Tax effect of development expenses plus taxes deducted (expressed in "-")	-9,951,646.41
Others	10,779,838.34
Total	15,778,996.01



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 48. Supplementary information to cash flows statement

## (1) Supplementary information to cash flows statement

Supplementary information	Amount for current period	Amount for last period
<b>I. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	29,857,591.88	137,275,397.55
Add: Impairment losses of assets	106,956,767.68	14,146,587.51
Impairment losses of credit	15,338,925.26	9,994,429.49
Depreciation of fixed assets, depreciation of investment property	77,920,858.77	67,518,075.53
Amortization of intangible assets	13,646,775.78	10,038,170.89
Amortization of long-term deferred expenses	11,499,709.72	8,925,782.41
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is shown as "-")	-3,571,693.02	-146,165.00
Loss on write-off of fixed assets (gain is shown as "-")	-	19,643.87
Finance costs (gain is shown as "-")	4,027,675.77	7,016,070.95
Loss on investments (gain is shown as "-")	-33,566,644.68	-29,658,771.68
Decrease in deferred income tax assets (increase is shown as "-")	1,162,638.60	-7,230,633.89
Increase in deferred income tax liabilities (decrease is shown as "-")	-2,896,961.71	-529,919.56
Decrease in inventories (increase is shown as "-")	31,633,526.63	68,128,675.74
Decrease in operating receivables (increase is shown as "-")	75,112,860.48	-83,401,547.45
Increase in operating payables (decrease is shown as "-")	-136,091,308.76	84,131,919.76
Others	-	-
Net cash flows generated from operational activities	191,030,722.40	286,227,716.12
<b>II. Significant non-cash investment and financing activities:</b>		
<b>III. Changes in cash and cash equivalents:</b>		
Cash at the end of the period	1,037,397,070.00	827,104,162.78
Less: cash at beginning of period	827,104,162.78	851,283,759.60
Add: cash equivalents at the end of the period	-	-
Less: cash equivalents at beginning of period	-	-
Net increase in cash and cash equivalents	210,292,907.22	-24,179,596.82

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (CONTINUED)

## 48. Supplementary information to cash flows statement (continued)

## (2) Composition of cash and cash equivalents

Items	2021.12.31	2020.12.31
I. Cash	1,037,397,070.00	827,104,162.78
Incl: Cash on hand	37,609.35	110,845.79
Bank deposits available on demand	1,032,310,919.55	809,560,278.47
Other monetary funds available on demand	5,048,541.10	17,433,038.52
II. Cash equivalents	–	–
Incl: Bond investments maturing within 3 months	–	–
III. Closing balance of cash and cash equivalents	1,037,397,070.00	827,104,162.78

## 49. Assets with limited title or use

Items	Carrying value at the end of the period	Cause
Monetary fund	22,368,243.71	Guarantee issuance

## 50. Foreign currency monetary items

Items	Foreign balance at the end of the period	Exchange rate	Translated RMB balance at the end of the period
Monetary fund	–	–	57,304,907.95
Incl: US dollar	8,338,237.45	6.3757	53,162,100.51
Hong Kong dollar	5,066,944.74	0.8176	4,142,734.02
Euro	10.17	7.2197	73.42

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### VI. CHANGES IN THE CONSOLIDATED SCOPE

There was no change in the consolidation scope in the current period compared with last period.

### VII. EQUITY IN OTHER ENTITIES

#### 1. Equity in subsidiary

##### (1) Composition of the Group

Name of subsidiary	Type of Legal person	Operating location	Location of registration	Nature of business	Shareholding percentage %		Share capital (RMB)	Means of acquisition
					Direct	Indirect		
Capinfo Technology	Other limited liability company	Beijing	Beijing	Information technology	71.24	-	51,940,643.00	Set up by investment
Capinfo Hong Kong	Joint stock company limited	Hong Kong	Hong Kong	Investment	100.00	-	2.12	Set up by investment
Parking Management	Limited liability company (sole proprietorship)	Beijing	Beijing	Information technology	100.00	-	20,000,000.00	Set up by investment
Parking Management	Limited liability company	Xiamen	Xiamen	Information technology	100.00	-	20,000,000.00	Business combination not under common control
Capinfo Medical United	Limited liability company (sole proprietorship)	Beijing	Beijing	Information technology	100.00	-	20,000,000.00	Set up by investment
Capinfo Cloud Technology	Other limited liability company	Beijing	Beijing	Information technology	37.00	-	50,000,000.00	Set up by investment

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### VII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 1. Equity in subsidiary (continued)

##### (1) Composition of the Group (continued)

Note 1: Subsidiaries of the Company did not issue share capital or securities as at 31 December 2021.

Note 2: Capinfo Cloud Technology is jointly established by the Group and the related party Capnet Company Limited. According to the Articles of Association of Capinfo Cloud Technology, the registered capital is RMB50 million, the Group subscribes RMB18.5 million, shareholding percentage is 37%, maturity of subscription is 31 December 2018, another shareholder subscribes RMB31.5 million, shareholding percentage is 63%, maturity of subscription is 31 December 2037; the Group includes it into the scope of the consolidated statement because of:

- 1) As of 31 December 2021, the paid up capital contribution of the Group is RMB18.5 million, representing 100% of paid up capital of Capinfo Cloud Technology. According to the Articles of Association of Capinfo Cloud Technology, shareholders will vote and receive Company's bonus in accordance with the paid up percentage.
- 2) There will be no Board of Directors, Board of Supervisors of Capinfo Cloud Technology but has executive directors, supervisors. The executive directors, supervisors are nominated by the Group and elected on the general meeting; the company has managers whose are nominated by the Group and appointed or dismissed by the executive directors.

##### (2) Significant non-wholly-owned subsidiary

Name of subsidiary	Share percentage of minority shareholders %	Profit/loss attributable to minority shareholders for the period	Dividends paid to minority shareholders for the period	Balance of minority interests at the end of the period
Capinfo Technology	28.76	11,510,744.36	27,560,090.43	46,533,688.42

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (CONTINUED)

## 1. Equity in subsidiary (continued)

## (3) Main financial information on significant non-wholly-owned subsidiary

Name of subsidiary	Current assets	2021.12.31	
		Non-current assets	Total assets
Capinfo Technology	469,445,441.04	16,180,309.06	485,625,750.10

Name of subsidiary	Current liabilities	2021.12.31	
		Non-current liabilities	Total liabilities
Capinfo Technology	319,397,791.10	4,454,929.38	323,852,720.48

Name of subsidiary	Current assets	2020.12.31	
		Non-current assets	Total assets
Capinfo Technology	483,748,822.42	13,571,483.64	497,320,306.06

Name of subsidiary	Current liabilities	2020.12.31	
		Non-current liabilities	Total liabilities
Capinfo Technology	279,537,414.09	214,772.29	279,752,186.38

Name of subsidiary	Amount for current period			Cash flow from operating activities
	Operating revenue	Net profit	Total comprehensive income	
Capinfo Technology	457,707,092.58	40,016,438.69	40,016,438.69	74,330,914.16

Name of subsidiary	Amount for last period			Cash flow from operating activities
	Operating revenue	Net profit	Total comprehensive income	
Capinfo Technology	369,054,024.39	37,636,012.61	37,636,012.61	82,617,240.41

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (CONTINUED)

## 2. Equity in joint ventures or associates

## (1) Significant associates

Name of associate	Location of operation	Location of registration	Business nature	Shareholding percentage (%)		Accounting treatment for the investment in joint ventures or associates
				Direct	Indirect	
Beijing Certificate Authority Co., Ltd.	Beijing	Beijing	Scientific research and Technology services	26.24	–	Equity approach

Notes: Beijing Certificate Authority Co., Ltd. was listed on GEM, Shenzhen Stock Exchange on 23 December 2016. The stock market value held by the Company based on the closing price as at 31 December 2021 was RMB1,912,569,205.50.

## (2) Main financial information of significant associates:

Items	Beijing Certificate Authority Co., Ltd.	
	End of the period	Beginning of the period
Current assets	1,364,305,505.30	1,334,998,973.73
Non-current assets	256,041,140.12	158,101,692.78
Total assets	1,620,346,645.42	1,493,100,666.51
Current liabilities	711,098,995.34	723,520,792.25
Non-current liabilities	47,871,015.53	9,711,531.10
Total liabilities	758,970,010.87	733,232,323.35
Net asset	861,376,634.55	759,868,343.16
Incl: Minority interests	7,978,407.15	4,632,358.35
Attributable to owners of the parent company	853,398,227.40	755,235,984.81
Share in net asset pro rata shares held	223,893,438.92	198,140,068.96
Adjustment		
Incl: Goodwill		
Gains or losses on unrealized internal trading		
Impairment provision		
Others		
Book value of equity investment to associate	223,893,438.92	198,140,068.96
Fair value of equity investment with quoted price	1,912,569,205.50	1,867,706,471.05

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (CONTINUED)

## 2. Equity in joint ventures or associates (continued)

## (2) Main financial information of significant associates: (continued)

Items	Beijing Certificate Authority Co., Ltd.	
	Amount for current period	Amount for last period
Operating income	1,026,272,769.66	857,963,126.22
Net profit	117,758,991.39	104,126,995.49
Net profit on discontinued operation		
Other comprehensive income		
Total comprehensive income	117,758,991.39	104,126,995.49
Dividend receivable from associate during the period	4,722,393.10	4,722,393.10

## (3) Summarized financial information of other non-significant associate

Items	End of the period/Amount for current period	Beginning of the period/Amount for last period
<b>Associate:</b>		
Total carrying value of investment	2,879,150.71	3,282,156.56
Total of the followings at shareholding percentage		
Net profit	-403,005.85	24,874.05
Other comprehensive income		
Total comprehensive income	-403,005.85	24,874.05

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT

#### 1. Goal and policies of risk management

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes regular or ad hoc reviews of internal control system to check whether such system is compliant with the risk management policies.

The Group has exposure to the following risks from its use of financial instruments, namely credit risk, liquidity risk and market risk (including interest rate risk and exchange risk).

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyze the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of credit risk, liquidity risk and market risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the risk management committee in accordance with the policies approved by the board. Risk management committee identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures, and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio, and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.



# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

### 1. Goal and policies of risk management (continued)

#### (1) Credit risk

Credit risk is the risk that one counterparty will cause a financial loss for the Group by failing to discharge an obligation.

The Group manages credit risk by collective classification. Credit risk is mainly attributable to cash at bank and receivables.

The bank deposit of the Group is mainly held with well-known financial institutions with high credit ratings. The counterparties of the Group's bank deposits are placed in the well-established banks with high credit ratings. The management does not foresee any significant credit risk from these deposits.

In respect of receivables, the Group has established a credit policy to control credit risk exposure. Based on the debtors' financial position, the external ratings of the customers, their possibility of acquiring guarantee from third parties, their credit record and other factors (e.g. existing market conditions), the Group assesses the credit quality of its debtors, and sets up the outstanding limits and credit terms accordingly. The Group has adopted policies to cooperate with the counterparties with good credit record, and obtain full collateral, if necessary, to relieve the risk of financial loss arising from default of these counterparties. The Group will monitor the credit record of its customers, and ensure the overall credit risk of the Group within controllable extent by issuing written collection notice, reducing credit terms or cancelling credit terms for the debtors with poor credit records.

The Group's accounts receivable debtors are the customers distributed in different industries and regions. The Group will continually conduct credit assessment on the financial position of the accounts receivable, and secure credit guarantee insurance as appropriate.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

## 1. Goal and policies of risk management (continued)

## (1) Credit risk (continued)

The maximum credit risk exposure to the Group is the carrying amount of each financial asset presented in the balance sheet. The Group does not provide any other guarantee that may enable the Group to assume credit risk. Among the accounts receivable of the Group, the accounts receivable attributable to the top five customers account for 23.42% of the Group's total accounts receivable. Other receivables attributable to the top five companies account for 38.64% of the Group's total other receivables.

## (2) Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

In managing liquidity risk, the Group ensures to monitor the cash and cash equivalent the management considered as sufficient, in order to meet the Group's needs for operation, and lower the effects from fluctuation of cash flow. The management monitors the usage of bank borrowings, and ensures compliance with the borrowing agreements. At the same time, the Group secures adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The financial liabilities and off balance sheet guarantee held by the Group at end of period are analyzed at terms of the remaining undiscounted contractual cash flows as follows (expressed in RMB10,000.00):

Items	Within 1 year	More than 1 year	Total undiscounted cash flows	Total
Financial liabilities:				
Other payables	1,200.00		1,200.00	1,200.00
Non-current liabilities				
due within one year	5,463.19		5,463.19	5,463.19
<b>Total financial liabilities and contingent liabilities</b>	<b>6,663.19</b>		<b>6,663.19</b>	<b>6,663.19</b>

# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

### 1. Goal and policies of risk management (continued)

#### (3) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes interest rate risk, exchange risk and other price risk.

##### Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial asset or future cash flow arising from changes in market interest rate. Interest rate may arise in the recognized interest-bearing financial instruments and unrecognized financial instruments (e.g. some loan commitments).

The Group's interest rate risk is mainly attributable to bank deposits. The Group closely monitors the interest rate risk due to the effect of changes in interest rate. At present, the Group does not adopt any interest rate hedging policies. However, the management is responsible for monitoring interest rate risk, and considers hedging significant interest rate risk as necessary. Since the term deposits are short-term deposits, so the interest rate risk for the fair value of these bank deposits is not significant.

As at 31 December 2021, it is estimated that a general increase or decrease of 10 basis points in interest rates, if floating, with all other variables held constant, would decrease or increase the Group's net profit and shareholders' equity by RMB7,300.

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

#### 1. Goal and policies of risk management (continued)

##### (3) Market risk (continued)

###### Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The exchange rate risk is mainly the effect of the fluctuation of the foreign exchange rate on the Group's financial position and cash flow. Except that the subsidiaries established in Hong Kong hold monetary fund in Hong Kong dollars as the settlement currency, the proportion of assets and liabilities held by the Group in foreign currency to total assets and liabilities is not significant. Therefore, the Group believes that its exposure to exchange rate risks is not significant.

The Group monitors closely the impact of changes in exchange rate on the exchange rate risks the Group is exposed to. The Group currently does not take any measure to avoid exchange rate risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

As at 31 December 2021, for the Group's monetary fund denominated in foreign currencies, assuming that the RMB appreciates or depreciates against foreign currencies (mainly for the US dollar, Hong Kong dollar) by 10%, while other factors remain unchanged, both shareholders' equity and net profit of the Group will increase or decrease by approximately RMB5,730,500.

# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

### 2. Capital Management

The goal of the Group's capital management policy is to ensure that the Group has the ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce debts.

The Group monitors the capital structure based on the gearing ratio (i.e. total liabilities divided by total assets). As at 31 December 2021, the Group's gearing ratio was 50.02%.

## IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## IX. FAIR VALUE (CONTINUED)

## (1) Items and amounts measured at fair value

As at 31 December 2021, assets and liabilities measured at fair value are listed as follows based on the three hierarchies set out above:

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
<b>I. Continuing fair value measurement</b>				
(I) Financial assets at fair value through profit or loss	-	-	-	-
(II) Financial assets at fair value through other comprehensive income				
(1) Equity instrument investments				
Beijing				
Jingguosheng Investment Fund (Limited Partnership) (北京國盛投資基金(有限合夥))			15,800,000.00	15,800,000.00
<b>Total assets subject to continuing fair value measurement</b>			15,800,000.00	15,800,000.00

## (2) Valuation method for fair value measurement of financial assets at fair value through profit or loss

- ① Referring to the price quotation from a bank in the PRC, which is mainly determined with reference to the prices quote of debentures, asset management plans and reverse purchases, and interest rates of interbank borrowing
- ② Referring to the price quotation from an independent fund company, which is mainly determined with reference to the interest rates of bank deposits and fixed income products, and the price quotation of a private equity fund managed by the independent fund company

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### IX. FAIR VALUE (CONTINUED)

#### (3) The quantitative information of important unobservable input used in the Level 3 fair value measurement

Items	Closing fair value	Valuation techniques	Unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥))	15,800,000.00	Cost approach		

Note:

- Given the short period of investment in Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥)) and no significant change in its investment business since the date of investment, cost represents the best estimate of fair value of equity of Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥)).
- As Capinfo Soft Co., Ltd. incurred consecutive losses, the Group determined the best estimate of fair value of equity based on its share of net book value of assets of such company.

#### (4) Table of reconciliation of fair value measurements categorized into level 3 of the fair value hierarchy

Amount for the current period	Opening balance	Transfer into level 3	Transfer out from level 3	Total profit or loss for the current period		Purchase, issuance, sale and settlement				Closing balances	Assets held at the end of the reporting period are included in profit or loss as changes in gain or loss that are not realized in the period
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥))	2,000,000.00	-	-	-	-	13,800,000.00	-	-	-	15,800,000.00	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

## 1. Information on the parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital(RMB0'000)	Parent company's shareholding percentage to the Company%	Parent company's percentage of voting rights to the Company%
Beijing State-owned Assets Management Corporation Limited (hereinafter referred to as BSAM)	Beijing	Investment management	1,000,000.00	63.31	63.31

The ultimate controlling party of the Company is: the People's Government of Beijing Municipality.

## 2. Information on the subsidiaries of the Company

Details on the subsidiaries are set out in Note VII.1.

## 3. Information on the joint ventures and associates of the Group

Details of the important joint ventures and associates are set out in Note VII.2.

Set out below are other joint ventures or associates which were involved in related party transactions with the Group during the period, or for which balances were formed due to their involvement in related party transactions with the Group during previous periods:

Name of joint ventures or associates	Relations with the Group
Beijing Certificate Authority Co., Ltd. (hereinafter referred to as BJCA, BJCA and its subsidiaries)	associate
Beijing Culture & Sports Technology Co., Ltd. (hereinafter referred to as BST)	associate



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 4. Information on other related parties of the Group

Name of related parties	Relations with the Group
Beijing Anxintianxing Science Co., Ltd. (hereinafter referred to as Anxintianxing, BJCA and its subsidiaries)	A subsidiary of BJCA, which is an associate of the Company
China Beijing Equity Exchange Limited (hereinafter referred to as Beijing Equity Exchange)	The same ultimate controlling party
Beijing Chenghejing Investment Co., Ltd. (hereinafter referred to as Chenghejing Investment)	The same ultimate controlling party
Beijing Chenghejing Elderly Caring Service Co., Ltd. (hereinafter referred to as Chenghejing Elderly Caring)	The same ultimate controlling party
Beijing Guoyuan Sports & Culture Investment Co., Ltd. (hereinafter referred to as Guoyuan Sports & Culture)	The same ultimate controlling party
Beijing Software and Information Service Exchange Co., Ltd. (hereinafter referred to as Software and Information Service Exchange)	The same ultimate controlling party
Beijing Industrial Development Investment Management Co., Ltd. (hereinafter referred to as Industrial Development)	The same ultimate controlling party
Beijing National Swimming Centre Co., Ltd. (hereinafter referred to as National Swimming Centre)	The same ultimate controlling party
Beijing Huayu Energy Technology Holdings Co., Ltd. (hereinafter referred to as Beijing Huayu Energy Technology)	The same ultimate controlling party
Beijing Jizhi Future Artificial Intelligence Industry Innovation Base Co., Ltd. (hereinafter referred to as BIDP)	The same ultimate controlling party
Capnet Company Limited (hereinafter referred to as Capnet)	The same ultimate controlling party
Beijing Crystal Digital Co., Ltd. (hereinafter referred to as Beijing Crystal Digital)	The same ultimate controlling party
Beijing Xinlongfu Culture Investment Co., Ltd. (hereinafter referred to as Xinlongfu Culture)	The same ultimate controlling party
Beijing SME Finance Re-guarantee Co., Ltd. (hereinafter referred to as Beijing SME)	The same ultimate controlling party
National Sport Stadium Co., Ltd. (hereinafter referred to as National Stadium)	The same ultimate controlling party

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 4. Information on other related parties of the Group

Name of related parties	Relations with the Group
Beijing Science Park Development (Group) Co., Ltd. (hereinafter referred to as Beijing Science Development)	The same ultimate controlling party
Beijing Guorongchuangyin Investment Management Co., Ltd. (hereinafter referred to as Guorong Chuangyin)	The same ultimate controlling party
Beijing Guotong Asset Management Co., Ltd. (hereinafter referred to as Beijing Guotong Asset)	The same ultimate controlling party
Beijing State-owned Financial Leasing Co., Ltd. (hereinafter referred to as Beijing State-owned Financial Leasing)	The same ultimate controlling party
Beijing Artists Management Corp., Ltd. (hereinafter referred to as Artists Corporation)	The same ultimate controlling party
Dynagreen Environmental Protection Group Co., Ltd. (hereinafter referred to as Dynagreen Group)	The same ultimate controlling party
Beijing Financial Assets Exchange Co., Ltd. (hereinafter referred to as BFAE)	The same ultimate controlling party
Beijing BeiAo Group Co., Ltd. (hereinafter referred to as BeiAo Group)	The same ultimate controlling party
Beijing Guohua Wenke Finance Guarantee Co., Ltd. (hereinafter referred to as Guohua Wenke Finance Guarantee)	The same ultimate controlling party
Beijing Xinlongfu Property Management Co., Ltd. (hereinafter referred to as BXLE Property)	The same ultimate controlling party
Beijing Industrial Development Investment Financial Management Co., Ltd. (hereinafter referred to as Beijing Industrial Development)	The same ultimate controlling party
Beijing International Trust Co., Ltd. (hereinafter referred to as International Trust)	The same ultimate controlling party
Beijing SME Finance Re-guarantee Co., Ltd. (hereinafter referred to as Finance Re-guarantee)	The same ultimate controlling party
Beike TEDA Investment Development Company Limited (hereinafter referred to as Beike TEDA)	The same ultimate controlling party
Beijing Jingguosheng Investment Fund (Limited Partnership) (hereinafter referred to as Jingguosheng Investment)	The same ultimate controlling party
Beijing Bird's Nest Culture Creative Co., Ltd. (hereinafter referred to as Bird's Nest Culture)	The same ultimate controlling party

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Information on related party transactions

##### (1) Information on related party purchases and sales

##### ① Purchase of goods and receipt of labor service

Related parties	Subjects of related party transactions	Amount for current period (RMB0'000)	Amount for last period (RMB0'000)
BJCA and its subsidiaries	Purchase of network security system service and purchase of assets	550.49	4,345.11
Capnet	Purchase of hardware and relevant service	622.64	1.41

The prices of the Group's transactions with related parties are determined at market prices.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Information on related party transactions (continued)

## (1) Information on related party purchases and sales (continued)

## ② Sale of goods and provision of labor service

Related parties	Subjects of related party transactions	Amount for current period (RMB0'000)	Amount for last period (RMB0'000)
Capnet	Purchase of network security system and relevant operation and maintenance service	933.96	1,066.04
BSAM	Provision of network system and relevant technical service	289.61	148.91
National Stadium	Provision of network system and relevant technical service	31.48	–
Beijing Industrial Development	Provision of network system and relevant technical service	19.90	–
Chenghejing Investment	Provision of network system and relevant technical service	18.62	64.53
BIDP	Provision of network system and relevant technical service	15.57	10.68
BeiAo Group	Provision of network system and relevant technical service	14.15	13.12
Finance Re-guarantee	Provision of network system and relevant technical service	13.89	–
International Trust	Provision of network system and relevant technical service	13.84	–
BJCA and its subsidiaries	Purchase of network security system and relevant operation and maintenance service	28.79	38.54
Beijing Science Development	Provision of network system and relevant technical service	9.99	34.51
Artists Corporation	Provision of network system and relevant technical service	7.19	2.60
Equity Exchange	Provision of network system and service	6.29	3.38
Chenghejing Elderly Caring	Provision of network system and relevant technical service	6.17	1.45
Guohua Wenke Finance Guarantee	Provision of network system and relevant technical service	4.72	4.72

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Information on related party transactions (continued)

##### (1) Information on related party purchases and sales (continued)

##### ② Sale of goods and provision of labor service (continued)

Related parties	Subjects of related party transactions	Amount for current period (RMB0'000)	Amount for last period (RMB0'000)
National Swimming Centre	Provision of network system and relevant technical service	3.83	2.14
Beijing Guotong Asset	Provision of network system and relevant technical service	3.17	4.66
Beijing Crystal Digital	Provision of network system and relevant technical service	2.88	1.85
Xinlongfu Culture	Provision of network system and relevant technical service	2.04	-
Beijing Huayu Energy Technology	Provision of network system and relevant technical service	0.38	0.98
Dynagreen Group	Purchase of hardware and relevant technical service	0.23	0.92
Beijing SME Credit Re-guarantee	Provision of network system and relevant technical service	-	8.25
BST	Provision of network system and relevant technical service	-	2.64
Beijing State-owned	Provision of network system and relevant technical service	-	2.53
Guoyuan Sports & Culture	Provision of network system and relevant technical service	-	1.10

The prices of the Group's transactions with related parties are determined at market prices.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Information on related party transactions (continued)

## (2) Other related party transactions

## A. Leasing

Lessor	Subjects of related party transactions	Method of pricing and procedure for decision-making in respect of related party transactions	Amount for current period (RMB0'000)	Amount for last period (RMB0'000)
Xinlongfu Culture	Leasing of office	Based on prevailing market price	681.18	1,634.84
BXLE Property	Utilities	Based on prevailing market price	87.72	–
BIDP	Leasing of office	Based on prevailing market price	–	330.81

Note: During the year, the Company entered into a lease agreement with Xinlongfu for the office premises of Xinlongfu Culture for a new lease term from 1 June 2021 to 31 December 2023, and the Company recognized lease liabilities of RMB44,195,800 from 1 June 2021.

# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Information on related party transactions (continued)

#### (2) Other related party transactions (continued)

##### B. Joint research and development

- ① On 28 July 2017, the Company entered into a project cooperation agreement with BJCA, Anxintianxing and six other independent cooperative manufacturers. The Company agreed that BJCA shall act as the leading party while the Company, Anxintianxing and other six independent cooperative manufacturers as the participants, to jointly cooperate on the project of “key technology for service certification and certification based on domestic cryptographic algorithms”. The project will complete the research and development of five topics, among which the Company will participate in the research and development of three under the cooperation project. This project received a total of RMB21,860,000.00 from the central government budget, and the self-raised research funding of RMB10,000,000.00 from BJCA, RMB12,000,000 from the Company and RMB1,000,000.00 from one of the independent project participants and RMB2,000,000.00 from Anxintianxing. During the implementation of the project, all parties shall take timely measures of intellectual property protection in regard to scientific and technological achievements, and shall determine their ownership in accordance with the relevant provisions of the National Science and Technology Plan for Intellectual Property Management. Regardless of the exclusive or shared intellectual property rights, the parties to the project shall have priority in the assignment under the same conditions. In 2017, the Company actually received a grant of RMB1,389,700.00 from the central government budget. In 2018, the Company actually received a grant of RMB1,464,800.00 from the central government budget. In 2019, the Company actually received a grant of RMB380,000.00 from the central government budget. In 2020, the Company actually received a grant of RMB305,500.00 from the central government budget. In 2021, the research and development work of the three topics under the cooperation project in which the Company participated was completed and accepted.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Information on related party transactions (continued)

##### (2) Other related party transactions (continued)

###### C. Others

On 25 March 2019, the Company entered into a participation agreement and a limited partnership agreement (the agreement of Beijing Jingguosheng Investment Fund Limited Partnership (北京京國盛投資基金有限合夥)) with Guorong Chuangyin, BSAM, Beijing Science Development, Beijing Equity Exchange, Beijing Guotong, National Stadium and BICD according to which the Company agreed to act as the Limited Partner of the Partnership and the subscribed capital contribution of the Company was RMB300,000,000.00. The Company made capital contribution of RMB2,000,000.00 in 2019. In 2020, the Company did not make any new capital contribution. In 2021, the Company made an additional capital contribution of RMB13,500,000.00.

##### (3) Compensation of key management personnel

The compensation of key management personnel is set out in Note XIII.4.

##### (4) Loans to directors, legal entities controlled by these directors or entities connected to these directors

From 2020 to 2021, the Company did not provide loans to directors, legal entities controlled by these directors, or entities connected to such directors.



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Amounts receivable from and payable to related parties

##### (1) Amounts receivable from related parties

Names of Items	Related parties	2021.12.31		2020.12.31	
		Book balance	Bad debts provisions	Book balance	Bad debts provisions
Accounts receivables	Capnet	16,200,000.00	1,674,000.00	11,300,000.00	590,000.00
Accounts receivables	International Trust	1,521,374.00	1,380,637.40	1,365,000.00	1,365,000.00
Accounts receivables	Chenghejing Investment	543,912.60	543,912.60	543,912.60	543,912.60
Accounts receivables	BSAM	505,456.58	23,030.26	480,975.45	7,923.86
Accounts receivables	National Stadium	368,702.00	55,856.38	35,000.00	35,000.00
Accounts receivables	BeiAo Group	230,538.50	9,553.85	80,538.50	805.39
Accounts receivables	Financial Assets Exchange	67,500.00	67,500.00	67,500.00	67,500.00
Accounts receivables	Beijing Industrial Development	62,100.00	621.00	-	-
Accounts receivables	Chenghejing Elderly Caring	28,000.00	280.00	-	-
Accounts receivables	Beijing Huayu Energy Technology	27,150.00	27,150.00	27,150.00	6,787.50
Accounts receivables	Industrial Development	16,443.60	12,879.60	-	-
Accounts receivables	Beijing Guotong Asset	10,328.40	10,328.40	10,328.40	10,328.40
Accounts receivables	Guoyuan Sports & Culture	3,600.00	36.00	3,415.84	34.16
Accounts receivables	BIDP	3,600.00	36.00	-	-
Accounts receivables	Xinlongfu Culture	3,600.00	36.00	-	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 6. Amounts receivable from and payable to related parties (continued)

## (1) Amounts receivable from related parties (continued)

Names of Items	Related parties	2021.12.31		2020.12.31	
		Book balance	Bad debts provisions	Book balance	Bad debts provisions
Accounts receivables	BJCA and its subsidiaries	-	-	64,900.00	649.00
Accounts receivables	Beijing Science Development	-	-	24,155.00	241.55
Accounts receivables	Artists Corporation	-	-	8,981.50	89.82
Prepayments	BJCA and its subsidiaries	4,399,415.65	-	3,068,746.30	-
Prepayments	BXLE Property	136,957.54	-	136,957.54	-
Prepayments	Bird's Nest Culture	5,000.00	-	-	-
Other receivables	Capnet	10,315,813.61	-	9,927,831.01	-
Other receivables	Xinlongfu Culture	5,018,464.29	-	5,018,464.29	-
Other receivables	BST	190,178.06	-	190,780.86	-
Other receivables	BXLE Property	148,051.66	-	365,177.00	-
Other receivables	BSAM	100,000.00	-	265,856.32	-
Other receivables	Equity Exchange	5,798.13	-	-	-
Other receivables	BeiAo Group	400.00	-	-	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 6. Amounts receivable from and payable to related parties (continued)

## (2) Amounts payable to related parties

Names of Items	Related parties	2021.12.31	2020.12.31
Accounts payables	BJCA and its subsidiaries	8,076,876.43	14,079,376.43
Accounts payables	Capnet	481,400.00	1,400.00
Accounts payables	Software and Information Service	24,000.00	24,000.00
	Exchange		
Contractual liabilities	BSAM	942,736.83	–
Contractual liabilities	Chenghejing Investment	389,242.44	158,898.19
Contractual liabilities	Finance Re-guarantee	365,339.23	–
Contractual liabilities	Industrial Development	356,348.13	–
Contractual liabilities	BST	130,179.03	–
Contractual liabilities	Beijing Industrial Development	90,751.89	15,008.02
Contractual liabilities	International Trust	81,645.01	–
Contractual liabilities	BeiAo Group	67,033.02	–
Contractual liabilities	Equity Exchange	62,862.26	62,862.26
Contractual liabilities	Beike TEDA	43,396.23	–
Contractual liabilities	Beijing Crystal Digital	24,147.16	–
Contractual liabilities	Artists Corporation	19,054.72	19,054.72
Contractual liabilities	Beijing Guotong Asset	18,866.04	11,163.21
Contractual liabilities	Beijing State-owned	17,932.54	–
Contractual liabilities	BIDP	13,705.66	–
Contractual liabilities	Chenghejing Elderly Caring	13,207.55	14,528.30
Contractual liabilities	Beijing Huayu Energy Technology	10,566.04	14,339.62

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 6. Amounts receivable from and payable to related parties (continued)

## (2) Amounts payable to related parties (continued)

Names of Items	Related parties	2021.12.31	2020.12.31
Contractual liabilities	Dynagreen Group	9,243.40	–
Contractual liabilities	National Stadium	5,189.69	5,189.69
Contractual liabilities	Xinlongfu Culture	3,396.23	20,412.26
Contractual liabilities	Guoyuan Sports & Culture	3,141.51	–
Contractual liabilities	BSAM	–	631,350.29
Contractual liabilities	Beijing SME Credit Re-guarantee	–	171,745.29
Contractual liabilities	Industrial Development	–	109,859.44
Contractual liabilities	Beijing Science Development	–	51,069.18
Contractual liabilities	Guohua Wenke Finance Guarantee	–	47,169.81
Contractual liabilities	National Swimming Centre	–	16,894.81
Other payables	BSAM	12,000,000.00	12,000,000.00
Other payables	Capnet	11,405,984.75	9,632,118.35
Other payables	Beijing Science Development	84,000.00	–
Other payables	BST	2,240.00	2,240.00
Other payables	Beijing Science Development	–	84,000.00

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XI. COMMITMENTS AND CONTINGENCIES

#### 1. Principal commitments

##### (1) Capital commitments

Capital commitments contracted but not yet confirmed in the financial statements	2021.12.31	2020.12.31
Commitment to acquisition and construction of long-term assets		
– Contracted but not executed	13,406,796.55	7,850,833.91
– Authorized but not contracted	49,417,929.57	50,821,093.21
Total	62,824,726.12	58,671,927.12

##### (2) Other commitments

As of 31 December 2021, the Group had no other discloseable commitments.

#### 2. Contingencies

As of 31 December 2021, save as disclosed in Note XIII.5, the Group has no pending lawsuits, external guarantees and other contingencies that should be disclosed.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XII. POST-BALANCE SHEET DATE EVENTS

#### 1. Dividend distribution

According to the Board's resolution as at 25 March 2022, the Board of directors has recommended the payment of cash dividend of RMB0.29 cent per share, calculating based on 2,898,086,091.00 issued shares, the total cash dividend is RMB8,404,449.66 (of which, 774,498,000.00 shares are foreign listed H shares, total cash dividend is RMB2,246,044.20). The above proposal is subject to approval in the General Meeting of Shareholders.

#### 2. Explanation of other post-balance sheet date events

As of 25 March 2022 (the date of the approval of the report by the Board), the Group did not have other discloseable post-balance sheet date events.

### XIII. OTHER SIGNIFICANT EVENTS

#### 1. Correction of errors

The Group has no correction of errors during the reporting period.

#### 2. Segment reporting

The Group does not have a variety of operations that have a significant impact on its operating results. At the same time, as the Group only operates in one geographical area, its revenue mainly comes from China, and its major assets are also located within China. Therefore, it's not necessary for the Group to disclose the segment data.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

## 3. Government grants

- (1) Government grants included in deferred income are subsequently measured using the total method

Government grants projects	Type	Opening balance	Increase in the current period	Amounts carried forward into the profits and losses in the current period	Other changes	Closing balance	Items carried forward into the profits and losses in the current period	Related to assets/income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	Fiscal appropriation	811,955.52	-	242,165.24	-	569,790.28	Other income	Related to assets
Collaboration on the 2017 Cyberspace Security-"Development and Application of Information Service Trusted Management Platform"	Fiscal appropriation	949,700.00	-	949,700.00	-	-	Other income	Related to assets
Service fees of project of China Academy of Information and Communication Technology	Fiscal appropriation	440,000.00	-	440,000.00	-	-	Other income	Related to assets
Cyberspace Security-Key Technology of Service Authentication and Certification Based on Domestic Cryptographic Algorithm Development and Application of Information Service Trusted Management Platform	Fiscal appropriation	780,300.00	-	780,300.00	-	-	Other income	Related to assets

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

## 3. Government grants (continued)

- (1) Government grants included in deferred income are subsequently measured using the total method (continued)

Government grants projects	Type	Opening balance	Increase in the current period	Amounts carried forward into the profits and losses in the current period	Other changes	Closing balance	Items carried forward into the profits and losses in the current period	Related to assets/income
Cyberspace Security – “Key Technology for Service Certification and Certification Based on Domestic Cryptographic Algorithm” item – “Research on Information Service Security Evaluation System and Evaluation Standards”	Fiscal appropriation	450,000.00	-	450,000.00	-	-	Other income	Related to assets
Cyberspace Security – “Key Technology for Service Certification and Certification Based on Domestic Cryptographic Algorithm” item – “Research on Information Service Security Evaluation System and Evaluation Standards”	Fiscal appropriation	920,000.00	-	920,000.00	-	-	Other income	Related to assets
Financial subsidies from Beijing Tongzhou District Science and Technology Commission	Fiscal appropriation	-	1,500,000.00	-	-	1,500,000.00	-	Related to assets
Health and Elder Cross border Service Platform – Research and application demonstration of key technologies of modern service industry	Fiscal appropriation	5,490,000.00	-	5,490,000.00	-	-	Other income	Related to assets
Total		9,841,955.52	1,500,000.00	9,272,165.24	-	2,069,790.28	-	-



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 3. Government grants (continued)

- (2) Government grants included in profits and losses in the current period measured using the total method

Government grants projects	Type	Amounts included in the profits and losses in the current period	Items included in the profits and losses in the current period	Related to assets/income
Subsidies for the difference in social insurance for rural laborers recruited by employers from Xiamen Bureau of Human Resources and Social Security	Fiscal appropriation	10,145.70	Other income	Related to income
Technology trading bonus in 2020	Fiscal appropriation	30,053.00	Other income	Related to income
Others	Fiscal appropriation	88,652.88	Other income	Related to income
Sixth batch of enterprises R&D subsidy in 2020	Fiscal appropriation	143,600.00	Other income	Related to income
Second batch of enterprises R&D subsidy in 2021	Fiscal appropriation	204,300.00	Other income	Related to income
Tax credit	Fiscal appropriation	227,121.50	Other income	Related to income
Refund of commission for individual income tax	Fiscal appropriation	227,136.56	Other income	Related to income

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

## 3. Government grants (continued)

(2) Government grants included in profits and losses in the current period measured using the total method (continued)

Government grants projects	Type	Amounts included in the profits and losses in the current period	Items included in the profits and losses in the current period	Related to assets/income
Third batch of enterprises R&D subsidy in 2021	Fiscal appropriation	233,600.00	Other income	Related to income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	Fiscal appropriation	242,165.24	Other income	Related to assets
Employment subsidy	Fiscal appropriation	375,798.36	Other income	Related to income
Service fees of project of China Academy of Information and Communication Technology	Fiscal appropriation	440,000.00	Other income	Related to assets
Cyberspace Security – "Key Technology for Service Certification and Certification Based on Domestic Cryptographic Algorithm" item – "Research on Information Service Security Evaluation System and Evaluation Standards"	Fiscal appropriation	450,000.00	Other income	Related to assets

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 3. Government grants (continued)

- (2) Government grants included in profits and losses in the current period measured using the total method (continued)

Government grants projects	Type	Amounts included in the profits and losses in the current period	Items included in the profits and losses in the current period	Related to assets/income
Cyberspace Security-Key Technology of Service Authentication and Certification Based on Domestic Cryptographic Algorithm Development and Application of Information Service Trusted Management Platform	Fiscal appropriation	780,300.00	Other income	Related to assets
Cyberspace Security Key Item – “Trustworthiness and Functional Integrity Certification Technology Research of Information Service “	Fiscal appropriation	920,000.00	Other income	Related to assets
Collaboration on the 2017 Cyberspace Security Key Project titled Research, Development and Application of Demonstration of the Information Services Trust Management Platform	Fiscal appropriation	949,700.00	Other income	Related to assets
Health and Elder Crossborder Service Platform – Research and application demonstration of key technologies of modern service industry	Fiscal appropriation	3,050,000.00	Other income	Related to assets
Total	-	8,372,573.24	-	-

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

## 4. Compensation of Directors, Supervisors and Chief Executive Officer

## (1) Compensation of Directors, Supervisors and Chief Executive Officer

The remuneration of each of the Directors, Supervisors and Chief Executive Officer in 2021 was as follows: (unit: RMB0'000)

Title	Name	Fees	Salaries, Allowances and subsidies	Retirement benefit scheme contributions	Total
Chairman, Executive Director	Yu Donghui	-	129.13	5.45	134.58
Executive Director, General Manager	Zhang Yiqian	-	43.03	1.86	44.89
Executive Director	Zong Zhaoxing	-	119.70	5.45	125.15
Non-executive Director	Yan Yi (in replacement of Hu Yong)	-	-	-	-
Non-executive Director	Zhou Weihua	-	-	-	-
Non-executive Director	Shan Yuhu	-	-	-	-
Non-executive Director	Liang Yi (in replacement of Ma Linxiang)	-	-	-	-
Non-executive Director	Feng Jianxun	-	-	-	-
Independent Non-executive Director	Yang Xiaohui	7.30	-	-	7.30
Independent Non-executive Director	Gong Zhiqiang	7.77	-	-	7.77
Independent Non-executive Director	Cheung, Wai Hung Boswell	7.07	-	-	7.07
Independent Non-executive Director	Li He (resigned upon expiry of term)	2.79	-	-	2.79
Independent Non-executive Director	Su Zhongxing (in replacement of Li He)	4.29	-	-	4.29
Chairman of the Board of Supervisors	Yu Nan (in replacement of Zhu Jie)	-	-	-	-
Supervisor	Zhu Chenlan (in replacement of Zhao Kewen)	-	61.44	5.45	66.89
Supervisor	Ma Xiaoping, (in replacement of Lei Yiping)	-	-	-	-
Deputy General Manager	Xia Xiaoqing	-	119.70	5.45	125.15
Deputy General Manager/ Secretary of the Board	Lu Lei	-	96.12	5.45	101.57
Deputy General Manager	Wang Liang	-	100.16	5.45	105.61
Deputy General Manager/Chief Financial Officer	Du Xiaoling	-	97.96	5.45	103.41

# Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 4. Compensation of Directors, Supervisors and Chief Executive Officer (continued)

#### (1) Compensation of Directors, Supervisors and Chief Executive Officer (continued)

Notes:

- ① Mr. Yu Donghui was appointed to replace Ms. Lin Yankun as the Chairman on 10 September 2021.
- ② Mr. Zhang Yiqian has served as the General Manager since 10 September 2021 and has served as the executive Director since 11 October 2021.
- ③ Mr. Zong Zhaoxing was appointed as the executive Director in June 2018.
- ④ Ms. Yan Yi was appointed to replace Mr. Hu Yong as the non-executive Director on 18 June 2021. Mr. Hu Yong was appointed to replace Mr. Cao Huaizhi as the non-executive Director on 19 June 2020 and resigned upon expiry of term in 2021. Mr. Cao Huaizhi was appointed to replace Dr. Feng Haocheng as the non-executive director in June 2018 and resigned in June 2020.
- ⑤ Ms. Liang Yi was appointed to replace Mr. Ma Linxiang as the non-executive Director on 18 June 2021. Mr. Ma Linxiang was appointed to replace Ms. An Lili as the non-executive director in June 2018 and resigned upon expiry of term in June 2021.
- ⑥ Mr. Feng Jianxun was appointed to replace Mr. Cao Jun as the non-executive director in June 2018.
- ⑦ Mr. Su Zhongxing was appointed to replace Mr. Li He as the independent non-executive Director on 18 June 2021. Mr. Li He resigned upon expiry of term in June 2021.
- ⑧ Ms. Yu Nan was appointed to replace Mr. Zhu Jie as the chairman of the Supervisory Committee on 18 June 2021. Mr. Zhu Jie was appointed to replace Di Guojun as the chairman of the Supervisory Committee in June 2018 and resigned upon expiry of term in June 2021.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 4. Compensation of Directors, Supervisors and Chief Executive Officer (continued)

##### (1) Compensation of Directors, Supervisors and Chief Executive Officer (continued)

Notes: (continued)

- ⑨ Ms. Ma Xiaoping was appointed to replace Mr. Lei Yiping as the Supervisor on 18 June 2021. Mr. Lei Yiping was appointed to replace Mr. Liang Xianjun as the supervisor in June 2018.
- ⑩ Ms. Zhu Chenlan was appointed to replace Mr. Zhao Kewen as employee representative supervisor on 18 June 2021. Mr. Zhao Kewen was elected to take over as employee representative supervisor by the employees' of the Company in April 2018.
- ⑪ Mr. Lu Lei was appointed as the vice president at the fourth meeting of the sixth session of the Board in November 2015 and was appointed as the secretary to the Board at the 26th meeting of the fourth session of the Board in June 2014.
- ⑫ Mr. Xia Xiaoqing was appointed as the vice president at the 27th meeting of the sixth session of the Board in May 2018.
- ⑬ As considered and decided by the meeting of the General Office, Mr. Wang Liang was appointed by the Board as the Assistant General Manager on 18 June 2021 following the amendments of the Articles of Association in November 2020; and was appointed as the Deputy General Manager on 29 November 2021 and ceased to hold the position of Assistant General Manager.
- ⑭ Ms. Du Xiaoling was appointed as the Chief Financial Officer at the first meeting of the seventh session of the Board in June 2018 and was appointed as the Deputy General Manager on 29 November 2021.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 4. Compensation of Directors, Supervisors and Chief Executive Officer (continued)

##### (1) Compensation of Directors, Supervisors and Chief Executive Officer (continued)

The remuneration of each of the Directors, Supervisors and Chief Executive Officer in 2020 was as follows: (unit: RMB0'000)

Title	Name	Fees	Salaries, Allowances and subsidies	Retirement benefit scheme contributions	Total
Chairman, Executive Director	Lin Yankun	-	117.99	3.87	121.86
Executive Director, President	Yu Donghui	-	117.99	3.87	121.86
Executive Director	Zong Zhaoxing	-	99.80	3.87	103.67
Non-executive Director	Hu Yong	-	-	-	-
Non-executive Director	Zhou Weihua	-	-	-	-
Non-executive Director	Shan Yuhu	-	-	-	-
Non-executive Director	Ma Linxiang	-	-	-	-
Non-executive Director	Feng Jianxun	-	-	-	-
Independent Non-executive Director	Yang Xiaohui	6.50	-	-	6.50
Independent Non-executive Director	Gong Zhiqiang	7.00	-	-	7.00
Independent Non-executive Director	Cheung, Wai Hung Boswell	6.00	-	-	6.00
Independent Non-executive Director	Li He	6.00	-	-	6.00
Chairman of the Board of Supervisors	Zhu Jie	-	-	-	-
Supervisor	Zhao Kewen	-	89.45	0.38	89.83
Supervisor	Lei Yiping	-	-	-	-
Vice President	Xia Xiaoqing	-	101.94	3.87	105.81
Vice President/Secretary to the Board	Lu Lei	-	99.80	3.87	103.67

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 4. Compensation of Directors, Supervisors and Chief Executive Officer (continued)

- (2) Payments made or benefits provided for directors (including former directors and shadow directors) who terminate services

During the year, the Company did not make payments or provide benefits for the directors (including former directors and shadow directors) who terminate services (2020: nil).

- (3) Details about any compensation arrangement that directors have waived or agreed to waive

During the year, no director of the Company has waived or agreed to waive any compensation arrangement (2020: nil).

- (4) Payment to cooperative manufacturers for obtaining directorship services

During the year, the Company did not pay the cooperative manufacturers for the services provided by the directors (2020: nil).

- (5) Loans, quasi-loans and other transactions provided to directors, legal entities controlled by directors, and connected parties of directors, or guarantees on loans to directors, and connected parties of directors

During the year, the Company did not provide loans, quasi-loans, and other transactions for any directors, legal entities controlled by directors, and connected parties of directors, or provided guarantees on loans to directors, legal entities controlled by directors, and connected parties of directors (2020: nil).

- (6) Significant interests of directors in transactions, arrangements or contracts

During the year, the Company did not enter into any important transaction, arrangement or contract that is related to the business of the Group and where the directors of the Company have direct or indirect interests in it (2020: nil).



## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 4. Compensation of Directors, Supervisors and Chief Executive Officer (continued)

##### (7) Top five employees with the highest salary

The top five employees with the highest salary for the current year included one acted as executive Director and Chairman and one acted as executive Director. Details of their remuneration are shown in Note XIII.4 (1). Details of the remaining three highest paid employee included the non-directors and non-chief executive officers are set out as follows:

Items	Amount for the current period (RMB0'000)	Amount for the previous period (RMB0'000)
Basic salaries and allowances	317.82	222.60
Retirement benefit scheme contributions	16.35	6.97
Total	334.17	229.57

Number of the highest paid employees who are non-directors and non-chief executive officers within the following remuneration range is set out as follows:

Items	Number of employees	
	Closing amount	Opening amount
HK\$0 to HK\$1,000,000	–	–
HK\$1,000,000 to HK\$1,500,000	3	2
Total	3	2

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 5. Progress of cases

On the ground of suspected contract fraud by the former shareholders of an acquired company, in order to protect the interest of the Company's shareholders, the Company reported the case to the Haidian Branch of the Beijing Public Security Bureau on 5 June 2018. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. On 24 August 2018, an announcement was published by the Company in this regard. As of the date of approval of the report, the case is still under investigation.

The Company received a summons and a notice of participation to action issued by the Xiamen Intermediate People's Court of Fujian Province (福建省廈門市中級人民法院), stating that Xiamen Ruitailong Investment Development Company Limited (廈門銳泰隆投資發展有限公司) (hereinafter referred to as "Xiamen Ruitailong"), requested the Xiamen Intermediate People's Court to order the Company to immediately pay it the consideration of RMB21,207,560, interest accrued thereon for the period of late payment, which should be calculated based on the lending interest rate as published by the People's Bank of China prevailing over the same period commencing from 1 September 2017 and up to the date of full settlement, and the case acceptance fee. On 19 July 2019, an announcement was published by the Company in this regard. Thereafter, Xiamen Intermediate People's Court of Fujian Province rejected the lawsuit brought by the plaintiff, Xiamen Ruitailong, on 26 March 2020. Xiamen Ruitailong refused to accept the first instance ruling of the Xiamen Intermediate People's Court and appealed to the Fujian Provincial People's High Court\* (福建省高級人民法院) on 17 April 2020. At the second instance, Fujian Provincial People's High Court ruled that the appeal lodged by Xiamen Ruitailong be dismissed and the original ruling be upheld. On 17 September 2020, an announcement was published by the Company in this regard. Subsequently, Xiamen Ruitailong refused to accept the second instance ruling of the Fujian Provincial People's High Court and filed an application for retrial to the Supreme People's Court, which accepted the application. As at the date of approval of the report, the Supreme People's Court ruled to reject Xiamen Ruitailong's application for retrial. The case has been closed.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 5. Progress of cases (continued)

On the ground of suspected contract fraud by the former shareholders of Rito Info, in order to protect the interest of the Company and its shareholders, a legal proceeding had been instituted by the Company to, and was accepted by, Beijing No. 1 Intermediate People's Court, regarding the request for the revocation of the Share Transfer Agreement entered into between the Company and the former shareholders of Rito Info, on 21 July 2014. On 23 August 2019, an announcement was published by the Company in this regard. As the defendant brought a jurisdiction objection, the Beijing First Intermediate People's Court (北京市第一中級人民法院) issued the (2019) Jing 01 Min Chu No. 341 Civil Ruling after the trial, ruling that the case was transferred to the Xiamen Intermediate People's Court of Fujian Province. In response to the ruling, the Company filed an appeal to the Beijing High People's Court (北京市高級人民法院). The Beijing High People's Court issued a final judgment for the second trial on the appeal filed by the Company: the civil ruling of the Beijing First Intermediate People's Court was revoked and the case was heard by the Beijing First Intermediate People's Court. On 19 July 2021, Beijing First Intermediate People's Court ruled to reject the Company's suit. Thereafter, the Company has filed an appeal with the Beijing High People's Court. On 25 October 2021, at the second instance, the Beijing High People's Court ruled that the appeal be dismissed and the original ruling be upheld.

## Notes to the Financial Statements

Year 2021 (All amounts in RMB unless otherwise stated)

## XIV. SUPPLEMENTARY INFORMATION

## 1. Earnings per share

## (1) Basic earnings per share

Items	Amount for current period	Amount for last period
Consolidated net profit attributable to ordinary shareholders of the Company	18,346,847.52	127,490,034.27
Weighted average number of ordinary shares outstanding of the Company	2,898,086,091	2,898,086,091
Basic earnings per share	0.006	0.044
Diluted earnings per share	0.006	0.044

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

## (2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive shares during the reporting period.

Note: From 31 December 2021 to the date of approval of the financial report, there was no change in the number of ordinary shares outstanding of the Company.

## 2. Dividends

The Company approved a final dividend of RMB1.98 cents per share for the year ended 31 December 2020 (before tax) at the annual general meeting convened on 18 June 2021. Final dividend for 2020 approved during the year amounted to RMB57,382,104.60 (final dividend for 2019 approved during 2020: RMB1.98 cents per share (before tax), totaling RMB57,382,064.33).

Capinfo Company Limited  
25 March 2022

## DEFINITION

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/Company	Capinfo Company Limited
Capinfo Hong Kong	Capinfo (Hong Kong) Co., Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.*
Capinfo Medical United	Capinfo Medical United Information Technology Company Limited*
Capinfo Cloud Technology	Capinfo Cloud Technology Co., Ltd.*
Parking Management	Beijing Parking Management Centre Co., Ltd.*
Rito Info	Rito Info Technology Co., Ltd.*
BJCA	Beijing Certificate Authority Co., Ltd.*
BSA	Beijing Culture & Sports Technology Co., Ltd.*
Capinfo Soft	Capinfo Soft Co., Ltd.*
BSAM	Beijing State-owned Assets Management Co., Ltd.*
Capnet	Capnet Company Limited*
Beijing Equity Exchange	China Beijing Equity Exchange Co., Ltd.*
QYT Pay	Beijing QYT Pay Sci-tech Co., Ltd.* (北京權益通支付科技有限公司)
Anxintianxing	Beijing Anxintianxing Science. Co., Ltd.* (北京安信天行科技有限公司)
BXLE	Beijing Xinlongfu Cultural Investment Co., Ltd.* (北京新隆福文化投資有限公司)
BXLE Property Management	Beijing Xinlongfu Property Management Co., Ltd.* (北京新隆福物業管理有限公司)
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Grant Thornton	Grant Thornton LLP (special general partnership)
Companies Law	the Companies Law of the People's Republic of China
Articles of Association	the Articles of Association of Capinfo Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Stock Exchange	the Stock Exchange of Hong Kong Limited
INED	the independent non-executive directors
the Year	the year ended 31 December 2021
Reporting Period	the period from 1 January 2021 to 31 December 2021

\* For identification purposes only

# CORPORATE INFORMATION

## MEMBERS OF THE BOARD

### Executive Directors

Mr. Yu Donghui (*Party Secretary and Chairman of the Board of Directors*)

Mr. Zhang Yiqian (*Deputy Party Secretary and General Manager*)

Mr. Zong Zhaoxing (*Deputy Party Secretary*)

### Non-executive Directors

Ms. Yan Yi

Mr. Zhou Weihua

Mr. Shan Yuhu

Ms. Liang Yi

Mr. Feng Jianxun

### Independent Non-executive Directors

Mr. Yang Xiaohui

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Su Zhongxing

## AUDIT COMMITTEE

Mr. Yang Xiaohui (*Chairman*)

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Su Zhongxing

## REMUNERATION AND APPRAISAL COMMITTEE

Mr. Gong Zhiqiang (*Chairman*)

Ms. Yan Yi

Mr. Yang Xiaohui

## NOMINATION COMMITTEE

Mr. Yu Donghui (*Chairman*)

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

## STRATEGY COMMITTEE

Mr. Yu Donghui (*Chairman*)

Mr. Zhang Yiqian

Mr. Su Zhongxing

## RULE OF LAW AND COMPLIANCE COMMITTEE

Mr. Yu Donghui (*Chairman*)

Mr. Zong Zhaoxing

Mr. Gong Zhiqiang

## BOARD OF SUPERVISORS

Ms. Yu Nan (*Chairman*)

Ms. Ma Xiaoping

Ms. Zhu Chenlan

## SECRETARY OF THE COMPANY

Mr. Lu Lei (*Deputy General Manager*)

Ms. Koo Ching Fan

## SECRETARY OF THE BOARD

Mr. Lu Lei (*Deputy General Manager*)

## LEGAL REPRESENTATIVE

Mr. Yu Donghui

## CORPORATE INFORMATION

### COMPANY WEBSITE

www.capinfo.com.cn

### H SHARE STOCK CODE

1075

### REGISTERED ADDRESS

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### AUDITORS

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22 Jianguomen Wai Avenue,  
Chaoyang District,  
Beijing, PRC  
Post Code: 100004

### LEGAL ADVISOR

**PRC law advisor**  
Beijing Docvit Law Firm  
Address: 56/F, Fortune Financial Center,  
No. 5 East Third Ring Middle Road,  
Chaoyang District,  
Beijing, PRC  
Post Code: 100020

### Hong Kong law advisor

Jia Yuan Law Offices  
Address: 17/F, 238 Des Voeux Road Central,  
Sheung Wan, Hong Kong, PRC

### SHARE REGISTRAR AND TRANSFER OFFICE

China Securities Depository and Clearing  
Corporation Limited (Domestic Shares)  
Address: No. 17 Taipingqiao Street,  
Xicheng District, Beijing, PRC  
Post Code: 100033  
Tel.: (8610) 59378888  
Fax: (8610) 58598977

Hong Kong Registrars Limited (H Shares)  
Address: Rooms 1712-1716, 17/F, Hopewell  
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