

CAPINFO

Capinfo Company Limited



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

(Stock Code : 1075)



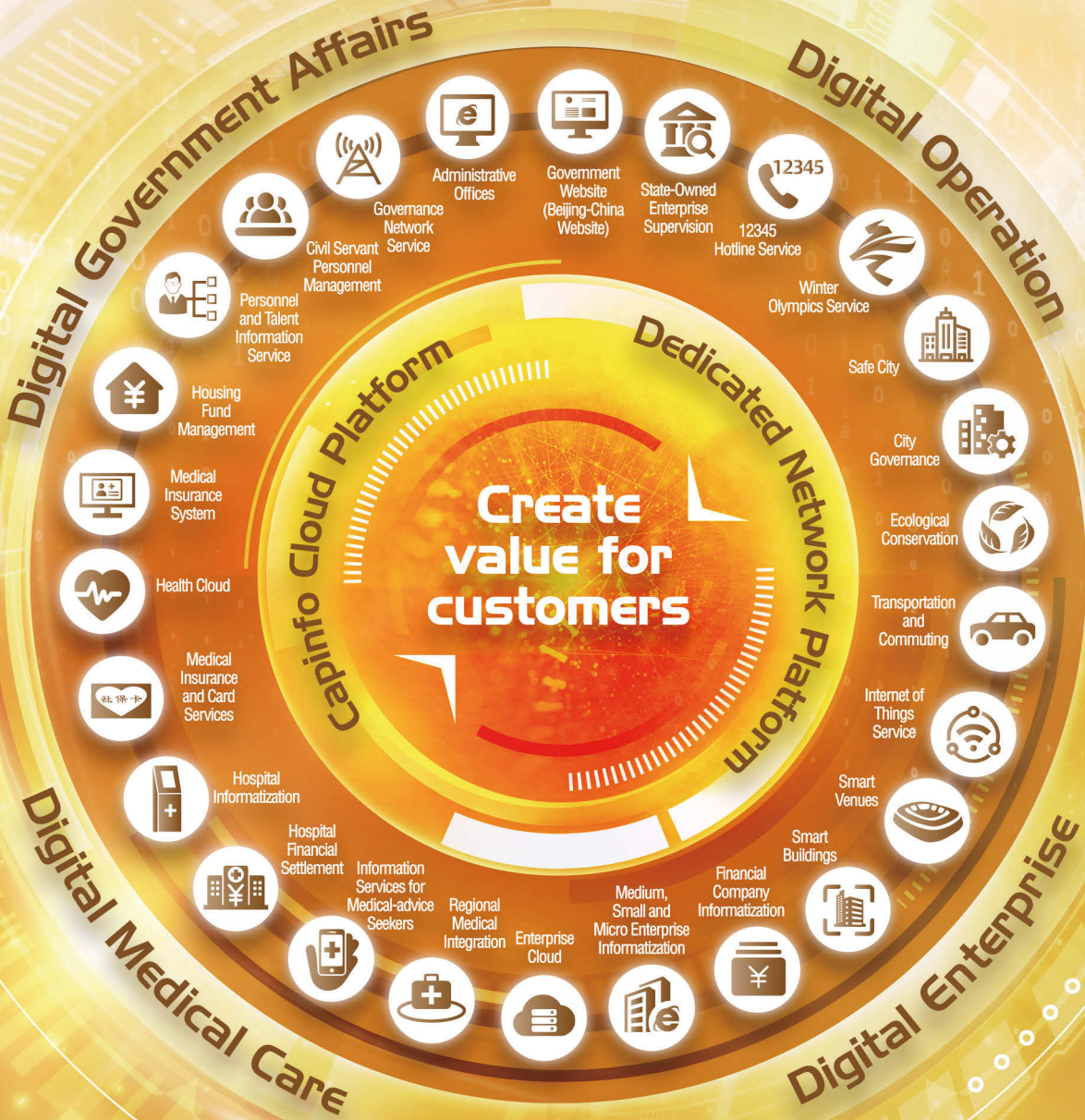
Annual Report 2023



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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 business pattern of “one core, two platforms and four sectors”, leveraging on its extensive experience in information service, it has been provided continuous, reliable and stable information technology services for Beijing e-governance system, medical insurance system, housing provident fund 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 a number of major events in Beijing; actively participated in the informatization construction of the sub-center of the city, and established the image of a state-owned information technology enterprise that has “firm political stand and high sense of responsibility and reliability”.

Capinfo is a national-level high-tech enterprise. 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 is elected by the State-owned Assets Supervision and Administration Commission of the State Council as one of the “Enterprise of Scientific and Technological Reform” and the first batch of Beijing General Artificial Intelligence Industry Innovation Partnership Program. 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. It has strengthened cooperation with universities and research institutes, and invited 32 academicians and experts to join the Capinfo Smart City Digital Economy Expert Advisory Committee and established the Capinfo-BUAA Joint Laboratory.

After more than 20 years of development, Capinfo has more than 1,600 employees, 7 controlled companies, 2 major joint stock companies, and 14 branches, with its business covering government service, 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

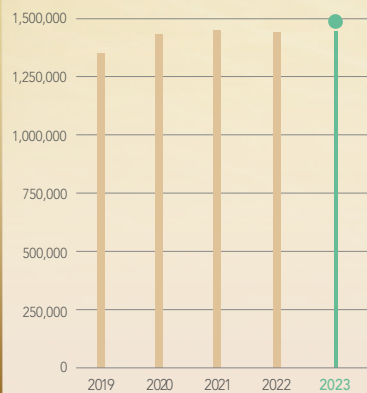


FINANCIAL HIGHLIGHTS

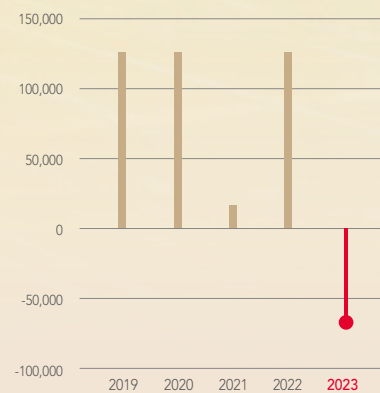
Unit: RMB'000

	2019	2020	2021 (Restated)	2022 (Restated)	2023
During the Reporting Period					
Revenue	1,331,357	1,410,565	1,426,774	1,422,954	1,425,582
Profit and total comprehensive income for the year attributable to owners of the Company	127,648	127,490	18,343	128,591	(72,906)
Earnings per share (RMB cents) from continuing and discontinued operations					
– Basic	4.4	4.4	0.6	4.4	(2.5)
Dividends per share (RMB cents)					
– Interim dividend	–	–	–	–	–
– Final dividend	1.98	1.98	0.29	1.75	–
During the year					
Total assets	2,314,581	2,503,124	2,387,078	2,545,997	2,496,823
Net assets	1,148,396	1,243,802	1,188,726	1,321,287	1,202,813
Current liabilities	1,111,478	1,206,086	1,158,525	1,211,241	1,261,974
Financial Ratio					
Net gearing ratio (%)	0	0	0	0	0
Current ratio (times)	1.56	1.60	1.61	1.45	1.26

REVENUE



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



DIVIDENDS PER SHARE (RMB CENTS)



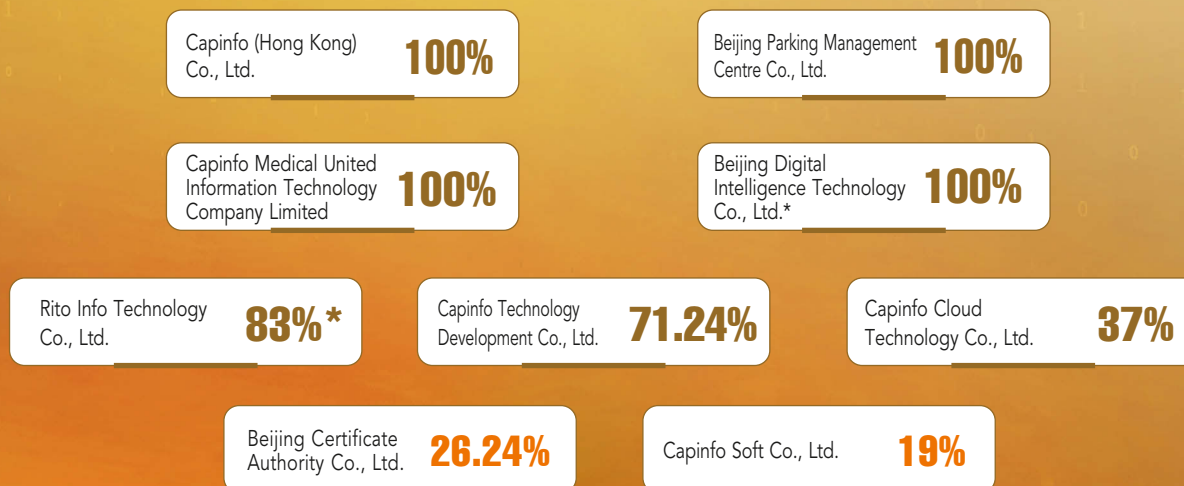
SHAREHOLDING STRUCTURE



SHAREHOLDERS

CAPINFO
Capinfo Company Limited

MAJOR COMPANIES INVESTED BY CAPINFO



Note 1: The Company's shareholding in Rito Info Technology Co., Ltd. shall be 83% according to business registration.

Note 2: The incorporation registration of Beijing Digital Intelligence Technology Co., Ltd. was completed on 9 January 2024.

EVENT HIGHLIGHTS

January

Capinfo received a letter of appreciation from the Beijing Software and Information Service Industry Association for its active participation in the social and public activities organized by the association in 2022 and its efforts and contributions to brand enhancement of the industry association

February

Capinfo was selected by the MIIT into the list of 2022 Pilot Demonstrations of Industrial Internet

March

Capinfo developed cloud-native micro-service corporate framework to provide higher-performance technical services

April

Capinfo won the First Class Award for Technological Invention in the Science and Technology Award of the Chinese Institute of Electronics

Capinfo Cloud, a subsidiary of Capinfo, was honored with the China Informatization Data Sharing Innovation Achievement Award

Capinfo exhibited the intelligent personnel management and city brain in the Exhibition of Achievements of Digital China Construction in Beijing

May

Zhai Jingqiao, an employee of Capinfo, won the honorary title of "National 1 May Heroine Model"

Capinfo Cloud, a subsidiary of Capinfo, joined Beijing Artificial Intelligence Industry Alliance

Capinfo Cloud, a subsidiary of Capinfo, won the "2022 China Informatization Data Sharing Innovation Achievement Award" with its product, namely "Capinfo State-owned Enterprises ITAI Cloud Platform"

"Capinfo Connect", a product of Capinfo, won the Second Class Award of 2022 (8th) State-owned Enterprise Management Innovation Achievements

Capinfo was selected as a member of the first batch of Beijing General Artificial Intelligence Industry Innovation Partnership Program

Capinfo was selected by the SASAC of the State Council as one of the "Enterprise of Scientific and Technological Reform"

June

Capinfo became a member of Beijing Information Technology Application Innovation Working Committee

July

Capinfo attended the BOE Innovation Partner Conference

Capinfo was selected as a "Typical Case of General Artificial Intelligence Large Model Industry Application in Beijing" at the 2023 Global Digital Economy Conference

"Digital Capinfo", a product developed independently by Capinfo, was selected as one of the "Excellent Cases of Digital Transformation and Empowerment of Enterprises" at the 2023 Global Digital Economy Conference

Capinfo supported Dongcheng District in the creation of a new model for supervision of cultural and tourism industry—the cultural and tourism industry management platform of Dongcheng District was launched online

Capinfo exerted all efforts to ensure the safe and stable operation of the government and livelihood systems of the capital during the flood season

August

Capinfo directory block chain basic service platform, a product developed independently by Capinfo, has been applied in the city

September

Capinfo strengthened independently developed products and platform construction to facilitate further development of "Smart Park" of the city

Capinfo won the Innovation Breakthrough Award in 2023 Create@Alibaba "Intelligent Manufacturing Track" Global Challenge

Beijing Housing Provident Fund Integrated Platform developed and operated by Capinfo was exhibited on CIFTIS, and the launch and application of the new generation of the housing provident fund integrated platform were expedited

Capinfo was selected as the vice-chairman of the Metaverse Expert Committee

October

Capinfo engaged in strategic cooperation with Beijing International Data Exchange on the synergistic development of the data element market and industry

Digital base product of Capinfo obtained the Huawei Kunpeng Technology Certification

Capinfo was selected as the vice chairman of Beijing Information and Telecommunication Association

Capinfo successfully passed the reassessment for the highest certification level (level 5) of CMMI Version 2.0

Capinfo once again passed the assessment for the highest certification level (level 1) of ITSS operation and maintenance service capability

Capinfo successfully passed reassessment for the five ISO system certifications

November

Capinfo was awarded the certificate of "Technical activities unit of the ITAI Working Committee" of the Chinese Electronics Standardization Association

Beijing Data Infrastructure System Pilot Zone was launched, and Capinfo Cloud, a subsidiary of Capinfo was among the first batch of resident enterprises

The ITAI Adaption Verification Joint Laboratory constructed by Beijing Software and Information Services Exchange, a subsidiary of Beijing Equity Exchange, and Capinfo Cloud, a subsidiary of Capinfo, was officially inaugurated

Capinfo was honored with the title of 2023 Beijing Software and Information Service Industry Integrity Enterprise

December

Capinfo was selected as one of the "2023 Beijing Top 100 Enterprises"

Capinfo won "Golden Bee 2023 Excellent Corporate Social Responsibility Report Evergreen Award"

Capinfo participated in the "First Digital Economy Vocational Skills Competition in Haidian District" and won the first class and second class awards

Reform, innovation, development and strategical expansion in the data element market—Capinfo won the special award for leading enterprises in the "Maker Beijing 2023" Innovation and Entrepreneurship Competition

The founding meeting of the Capinfo Smart City Digital Economy Expert Advisory Committee and the founding meeting of the BUAA-Capinfo Smart City and Data Element Innovation Joint Laboratory were held

Supporting Xiong'an's informatization construction and empowering enterprises' digital development—Capinfo won the bid for Huaneng Group's headquarter informatization construction project

Capinfo Team won the special prize in the "Smart Security" Innovation Track of the 2023 Beijing Big Data Skills Competition

Capital Information was awarded "Beijing Digital Service Provider (2023)"

CHAIRMAN'S STATEMENT



Over the past year, we pressed on with in-depth strategic transformation, maintained stability, reform and innovation in development, actively developed artificial intelligence technology, carried out expansion of products and data service market, reached a new stage in our ability to ensure the stable operation of important systems, made new breakthroughs in the business of "one core, two platforms and four sectors", and set sail on a new journey of high-quality development.

MR. YU DONGHUI
Party Secretary & Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present to you the 2023 annual report of Capinfo Company Limited. 2023 was the first year to fully implement the spirit of the 20th Party Congress, and also a crucial year to implement the "14th Five-Year Plan". Despite multiple challenges both internally and externally, the Company overcame difficulties, provided full support to facilitate the construction of the "four centers" and the linkage of "five initiatives", upheld fundamental principles and broke new ground, assumed its responsibility in major tasks, and forged ahead in reform and development. During the Reporting Period, the Group recorded an operating revenue of RMB1,425.58 million and was selected as one of the "Enterprise of Scientific and Technological Reform" by SASAC of the State Council.

CHAIRMAN'S STATEMENT

Over the past year, we insisted on facilitating the in-depth integration of party building and production and operation, and have become a reliable force for the operation and protection of important systems. We satisfactorily completed the task of providing service support for major events, constructed and launched a new emergency settlement system for the medical insurance platform, actively participated in the construction of the basic data base for the "three medical systems", accomplished the stage target of mobile payment for medical insurance, and made every effort to build systems for the supervision of state-owned enterprises and collaborative office. Being committed to our corporate culture featuring "firm political stand and high sense of responsibility and reliability", we further improved our reputation among users and influence in the industry.

Over the past year, we insisted on adopting the goal-oriented approach and achieving strategic development, addressed different risks and challenges, and endeavored to open up new horizons for business development. With a focus on the "one core, two platforms and four sectors", we strengthened our stocks, expanded our capacity, and planned and built new quality productivity of the Company based on artificial intelligence, big data, blockchain and privacy computing technologies. During the Reporting Period, the Company established Beijing Digital Intelligence Technology Co., Ltd. (北京數智先行科技有限公司), built a multi-level medical insurance digital intelligence service platform, explored innovative business in data operation, and continuously optimized its own software platform (CCAF), and enabled the research and development of major systems based on its own software platform.

CHAIRMAN'S STATEMENT

Over the past year, we insisted on innovative development and refined management, taking the effectiveness of corporate governance to a new level. We started a new round of market-based reform. According to market principles, the Company has implemented tenure system and contractual management for professional managers, introduced high-end talents, adopted market-oriented remuneration system, and arranged normal distribution of appraisals to fully stimulate endogenous motivation. We carried out in-depth product-oriented transformation, improved the research and development system and mechanism, and established IPD product development system. We strengthened industry exchanges, set up an expert advisory committee with two academicians, and established the Capinfo-BUAA Joint Laboratory.

2024 will mark the 75th anniversary of the founding of the PRC and it is a critical year for the Company to implement the "14th Five-Year Plan" and deepen reform and development. Focusing on the strategic development goal of building a "leading operator of smart city and data industry", we will continue to promote the business pattern of "one core, two platforms and four sectors". We will sustain our efforts in upholding fundamental principles and breaking new ground, enhance our core functions of "supporting government affairs and providing livelihood services", and improve the core competitiveness of "independent research and development, industry development and data operation". We will promote reforms in five areas: talent attraction, corporate governance, incentive mechanism, independent research and development, and capital operation, and strive to establish a benchmark as an excellent digital and platform-based information enterprise to serve the capital city.

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, all of our staff who work alongside us 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
28 March 2024

HONORS AND QUALIFICATIONS

- Capinfo won the Special Award in the “Maker China, Maker Beijing” Innovation and Entrepreneurship Competition for Leading Enterprises with the first place in the overall score;
- Won the special prize (champion) in the “Smart Security” Innovation Track of the 2023 Beijing Big Data Skills Competition;
- Selected as one of the “2023 Beijing Top 100 Digital Economy Enterprises”, “2023 Beijing High-grade, Precision, and Advanced Top 100 Enterprises” and “2023 Beijing Top 100 Manufacturing Enterprises”;
- Won the title of “2023 Beijing Software and Information Service Industry Integrity Enterprise” and “Beijing Software Core Competitiveness Enterprise (Market Application)”;
- Received AA rating of corporate social responsibility governance from the Beijing Software and Information Services Industry Association;
- “Lightweight cross-platform extended reality (XR) service key technologies and applications” won the first class award for technological invention in the 2022 China Electronics Society Science and Technology Award;
- Awarded the title of “Technical Activity Unit” by the Information Technology Application Innovation Working Committee of the Chinese Electronics Standardization Association;
- The product “Capinfo Connect” won the Second Class Award of State-owned Enterprise Management Innovation Achievements;
- “Capinfo State-owned Enterprises ITAI Cloud Platform” won the 2022 China Informatization Data Sharing Innovation Achievement Award;
- The product “New Generation of the Housing Provident Fund Integrated Platform” was shortlisted for the 2023Create@Alibaba “Intelligent Manufacturing Track” Global Challenge Finals and won the Innovation Breakthrough Award as the first place in the Beijing-Tianjin-Hebei Division;
- Awarded the honorary title of “National Reading Charitable Unit” for the “Smart Fengtu” project;
- Selected as a “Typical Case of General Artificial Intelligence Large Model Industry Application in Beijing” at the “Artificial Intelligence Summit Forum of 2023 Global Digital Economy Conference”
- The construction case of “Digital Capinfo” was selected as one of the “Excellent Cases of Digital Transformation (Empowerment) of Enterprises” at the 2023 Global Digital Economy Conference;
- “Capinfo Connect” was selected as an excellent case of digital application (solution) in 2023;
- The “integrated platform for civil servant” and the “integrated digital intelligent platform for immediate handling of compliant” were selected as “2023 Beijing Digital Innovative Solutions”;
- Received one-star rating in the Golden Bee 2023 Excellent Corporate Social Responsibility Report Evergreen Award;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2023 was critical for taking forward the innovation and development of digital economy, fostering the deep integration of digital technology and real economy, improving the data infrastructure, and promoting open access and circulation of data. With the changing market environment, the development of the industry has shown a new trend, presenting both opportunities and challenges. In 2023, the Group recorded a year-on-year increase in contract amount and significant results in market expansion, and was selected as one of the “Enterprise of Scientific and Technological Reform” by State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”). During the Reporting Period, the Group recorded an operating revenue of RMB1,425.58 million, representing an increase of 0.18% as compared with the same period of last year. As a result of non-recurring factors and market conditions as well as strategic investments, loss attributable to owners of the Company amounted to RMB72.91 million, representing a decrease of 156.70% as compared with the same period of last year.

Pressing on with the construction of critical systems

During the Reporting Period, the Company pressed on with the construction of the new medical insurance platform. The medical insurance handling system was officially launched and showed stable operation. “Vertical” and “horizontal” medical insurance network connectivity was achieved, and 16 application systems were built and launched to support the operation of core business of medical insurance. The Company participated in facilitating the direct connection and expansion of the “three medical systems”, completed the development of medical insurance mobile payment system, and realized direct connection and expansion for more than 110 key hospitals. The Company promoted the transformation of the settings of medical insurance card payment in more than 5,000 designated medical institutions in the city. The Company also worked devotedly to build systems for the supervision of state-owned enterprises and the digital Longfusi.

MANAGEMENT DISCUSSION AND ANALYSIS

Making comprehensive product transformation

During the Reporting Period, the Company strengthened the research and development of basic platform, continued to optimize its cloud-native CCAF technology framework, and intensified its efforts in the development of digital base products. The Company accelerated the research and development of industry products, and exhibited the “New Version of Housing Provident Fund Integrated Platform” CIFTIS, attracting great attention from all sectors of society. The integrated digital intelligent platform for immediate handling of compliant was selected as one of the digital innovative solutions of Beijing. The system for supervision on decision-making of “three major and one significant” matters accommodated national database, and contracts were signed with more than 10 customers. The intelligent personnel management PAD software product has been available for sale in multiple locations. The research and development of V1.0 version digital archive product were completed, and a contract was signed with the Archive of Tongzhou District. The Company was dedicated to the independent development of products, and achieved business synergy through applying “Capinfo directory block chain basic service platform” in different scenarios. “Capinfo Connect” was selected as an outstanding case of digital application for 2023. The Company actively promoted joint research and development, and established the Capinfo Smart City Digital Economy Expert Advisory Committee, and set up the Capinfo-BUAA Smart City and Data Element Innovation Joint Laboratory for the innovation and research on big models and data.

MANAGEMENT DISCUSSION AND ANALYSIS

Accelerating business breakthroughs

Focusing on “creating value for customers”

The Company conducted in-depth market research to understand customer needs, established effective customer feedback channels, enhanced solution capabilities, strengthened communication and cooperation with upstream and downstream enterprises, established a synergistic development model, and further improved its ability to serve customers.

Consolidating the foundation for the “two platforms”

The integrated network platform operated smoothly, with the availability rate of backbone network reaching 99.999%, providing e-government extranet services for nearly 20,000 units, and providing wireless broadband and cluster scheduling services for nearly 20,000 terminals of 1.4G private networks. Capinfo Cloud Platform operated reliably, providing services for more than 150 commissions, offices and bureaus across the city and more than 200 municipal enterprises.

Strengthening the business of the “four sectors”

In the “digital government service” sector, personnel management business made significant inroads outside Beijing, thus gaining a leading advantage in the region. The integrated platform for civil servant was selected as one of the “Innovative Digital Solutions in Beijing”. The construction project of integrated government service center for Dongcheng District was implemented.

In the “digital medical care” sector, the Company advanced the construction of credit medical treatment platform of Haidian District, and completed the system interface modification and online trial run for 37 medical institutions. The Company also completed the HIS transformation of mobile payment of Shijingshan Hospital, medical insurance mobile payment and Alipay payment authentication of Chaoyang Hospital, off-site appointment and payment by kiosks for patients with medical insurance, transformation of emergency one-code service, and connection of the reconciliation platform with the HIS, banks and other systems of Aerospace Center Hospital.

In the “digital governance” sector, the Company cooperated with the Municipal Bureau of Economy and Information Technology in advancing the implementation of the “Digital Community Application Demonstration Project”, collaborated with industry enterprises in compiling the “Framework Guide for Digital Community Construction” to facilitate digital governance and applications in actual operation. The integrated information coordinating platform for “accelerated advancement by relieving and rectification” operated in a stable manner. The project of cultural and tourism industry management platform of Dongcheng District successfully passed inspection.

In the “digital enterprise” sector, the Company made a major breakthrough in the central enterprise market with the signing of contracts with CITIC and Huaneng Group in respect of digital transformation. V1.0 version state-owned digital platform for arts and culture was successfully launched. The project of investor supervision information platform of the local SASAC completed final inspection. Capinfo Cloud and the Beijing Software and Information Services Exchange jointly set up the ITAI Adaption Verification Joint Laboratory.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP MANAGEMENT AND CONTROL

During the Reporting Period, the Company continued to deepen its reforms and steadily promoted refined management. The Company actively explored the development and operation of data resources to bring new productive force, established and continuously improved the integrated product control system to effectively enhance the efficiency of product research and development and improve operating results; deepened the reform of the remuneration management system, highlighted performance appraisal, and activated the new impetus for the high-quality development of human resources; continued to optimize the core control platform, and made use of informatization to enable the sharing of resources and enhance the management efficiency; actively participated in international and domestic events and won numerous awards, steadily increased its brand awareness and core competitiveness; continued to improve its compliance management system and maintained full coverage of the “three legal audits”, supported subsidiaries in building up their compliance systems and effectively prevented legal risks.

LOOKING FORWARD

2024 will be critical for deepening reform and development of the Company. Shouldering the mission of “providing innovative digital services to make the city smarter and life better”, the Group will leverage on digitalization, the core force of new productivity changes, seize the golden period of development of the digital economy, give full play to innovation-driven model, strive to enhance the strength of product research and development and the ability to ensure the operation of important systems, and continuously shape the development of new dynamics and new advantages, so as to achieve rapid growth in business scale and steady improvement of operation efficiency.

HUMAN RESOURCES

As of 31 December 2023, the Group had 1,624 employees (2022: 1,816), including 1,224 technology and research and development employees (2022: 1,467), 335 function management personnel at all levels (2022: 279), 65 sales staff (2022: 70). Expense of the Group’s employees was approximately RMB507.46 million (2022: RMB491.84 million).

The Company takes reference from the practice of outstanding peers in the industry to establish a performance-based remuneration management system that reflects the value of talents, supports its strategic development objectives and is competitive in the market, and distinguishes between the roles of different positions in sales, technology and management to provides a platform for fair competition for the development of talents. In addition, the Company maintains basic medical insurance, pension insurance, work injury insurance, unemployment insurance, maternity insurance and housing provident fund for its employees in accordance with the law, as well as registers and pays medical insurance for its employees in accordance with the annual supplementary medical insurance plan. The Group regularly reviews the remuneration packages of its employees.

The Group also arranges training by professionals to its employees to enable them to acquire the latest professional knowledge and to enhance their work quality.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2023, the Group recorded an operating revenue of RMB1,425.58 million, representing an increase of 0.18% as compared with the same period of last year. The Group recorded a gross profit of RMB399.04 million, representing a decrease of 25.19% as compared with the same period of last year, and loss attributable to shareholders amounted to RMB72.91 million.

Other income of the Group amounted to RMB15.69 million, representing a decrease of 21.58% 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 RMB1.53 million, which was the gain or loss on fair value changes recognized for the investment in FOF. During the current year, the investment revenue amounted to RMB-6.51 million, representing a decrease of RMB34.88 million as compared with the same period of last year, which was mainly attributable to the decline in results of Beijing Certificate Authority Co., Ltd. ("BJCA") during the year. During the year, interest income of RMB3.55 million was recognized on a large sum of bank deposit, and gain of RMB2.52 million was recognized for the investment in FOF. During the year, the impairment loss of assets amounted to RMB71.07 million, mainly attributable to the provision for impairment of assets held for sale of government network service project and the provision for impairment of intangible assets and development expenditures of Rito Info. Credit impairment loss amounted to RMB4.35 million during the 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 RMB722.85 million, representing an increase of 6.57% as compared with last year and accounting for 50.71% (2022: 47.67%) of the total operating revenue of the Group; revenue from system integration amounted to RMB375.83 million, representing a decrease of 13.37% as compared with last year and accounting for 26.36% (2022: 30.49%) of the total operating revenue of the Group; revenue from data processing service amounted to RMB261.22 million, representing an increase of 0.13% as compared with last year and accounting for 18.32% (2022:18.33%) of the total operating revenue of the Group; revenue from information professional service amounted to RMB49.99 million, representing an increase of 67.10% as compared with last year and accounting for 3.51% (2022: 2.10%) of the total operating revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE, LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2023, the Group had total assets amounting to RMB2,496.82 million, representing a decrease of 1.93% as compared with last year. Equity attributable to shareholders of the parent company amounted to RMB1,144.95 million, representing a decrease of 9.32% as compared with last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.26, representing a decrease of 0.19 from that of the corresponding period of last year. The gearing ratio (gearing ratio = interest-bearing debt/(interest-bearing debt + total equity)) was 6.44%. For the year ended 31 December 2023, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB814.10 million, representing a decrease of 11.84% as compared with the corresponding period of last year. In addition, bank certificates of deposit in large amounts of RMB106.65 million was reported under other non-current assets.

PROVISIONS FOR IMPAIRMENT OF ASSETS OF GOVERNMENT NETWORK SERVICE PROJECT

The government network service project undertaken by the Company entered the settlement stage during the year. Based on prudent judgement, the management made a provision for impairment of assets of RMB58.80 million in respect of the project as the estimated recoverable amount of the assets transferred from the project was lower than the residual value of the assets. Although the impairment of the assets had an impact on the profit for the current period, the project was profitable overall throughout 22 years of service, and the settlement of the government network service project was basically completed. As a result, it will not have a material adverse impact on the future operating results of the Company.

Opinions of the Company on the Provision for Impairment of Assets

Opinion of the Board

The Board has reviewed and approved the proposal on the provision for impairment of assets in respect of the government network service project of the Company. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's financial management policy, the provision for impairment of assets reflects the actual situation of assets of the Company in a more accurate manner, with sufficient basis, and is in the interests of the shareholders of the Company in the long term. Therefore, the Board agreed and approved the provision for impairment of assets mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

Opinion of the Audit Committee of the Board

The provision for impairment of assets complies with the relevant requirements of the Accounting Standards for Business Enterprises and accounting policies. It is based on sufficient basis and truly and reasonably reflects the overall operation and asset position of the Company. There is no prejudice to the interests of the Company or its shareholders, in particular the minority shareholders. Therefore, the Audit Committee approved the provision for impairment of assets and submitted to the Board for consideration and approval.

Opinion of the independent non-executive Directors

The provision for impairment of assets of the government network service project complies with the requirements of financial accounting standards. It will reduce financial risks, ensure disciplined operation of the Company, reflect its financial condition and operating results, and help provide investors with true, reliable and accurate accounting information. There is no prejudice to the interests of the Company and its shareholders, in particular the minority shareholders. Therefore, the independent non-executive Directors approved the provision for impairment of assets.

Opinion of the Board of Supervisors

The provision for impairment of assets complies with the relevant requirements of the Accounting Standards for Business Enterprises and relevant accounting policies of the Company and is in line with the actual situation of the Company. It will reflect the Company's asset position in a more fair and objective manner. Therefore, the provision for impairment of assets was approved.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance of Rito Info

During the Reporting Period, Rito Info incurred a loss from operations of RMB55.52 million. This was mainly due to the fact that the operating results of Rito Info fell below expectation and a provision of RMB16.40 million was made for economic compensation due to labor disputes with former employees. Also, the company was negotiating with its customers for the release and termination of service agreements. The accounts receivable from individual customers are expected to be irrecoverable, and a provision for bad debts of RMB3.45 million was made on an individual basis for the current period. Furthermore, taking into consideration of the future operating conditions of the Company, a provision for impairment was made for intangible assets and development expenditures in the amount of RMB12.46 million.

Equity Investments

In 2023, the Group's share of results of associates was RMB-12.38 million, representing a significant decrease as compared with the corresponding period of last year, mainly due to the decline in operating results of BJCA.

Income tax

In 2023, the Company was recognized as a high-tech enterprise in the national planning and layout and entitled to the preferential tax treatment. The enterprise income tax of the Company was imposed at a reduced rate of 15%. During the year, the income tax expenses amounted to RMB-28.14 million.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Yu Donghui
Executive Director

Executive Directors

Mr. Yu Donghui (Party Secretary and Chairman), aged 51, was appointed as an 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 45, was appointed as an executive Director in October 2021. He currently serves as the Deputy Party Secretary and general manager of the Company, and is also a member of the Strategy Committee and Rule of Law and Compliance Committee and an executive director of Capinfo Medical United Information Technology Company Limited and Beijing Digital Intelligence Technology Co., Ltd., both being subsidiaries, 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 a master degree in software 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



Yan Yi
Non-Executive Director

Non-executive Directors

Ms. Yan Yi, aged 38, an economist with postgraduate qualification, was appointed as a non-executive Director in June 2021 and serves as a member of the Remuneration and Appraisal Committee. She is currently the senior manager of the information service and digital business 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 degree in information management and information system, and graduated from the University of Sheffield in September 2007 where she received a master degree in information management, and obtained a master degree in business administration from the Chinese University of Hong Kong in November 2020.



Zhou Weihua
Non-executive Director

Mr. Zhou Weihua, aged 62, a professional senior engineer, was appointed as a 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 master degree in management.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Zhao Shujie
Non-Executive Director

Ms. Zhao Shujie, aged 49, senior engineer, was appointed as a non-executive Director in December 2023. She is currently the director and general manager of Beijing Telecom Investment Co., Ltd., the sponsor shareholder of the Company, and is responsible for the company's operation management, rules and regulations, development plan and investment proposal etc. She graduated from Beijing University of Posts and Telecommunications with a master degree in management engineering in 1999. She previously served as deputy general manager of audit department, deputy general manager of product support centre, deputy general manager of material procurement and management department of China Unicom Group, Beijing branch. She joined Beijing Telecom Investment Co., Ltd. in 2023, with extensive experience in enterprise operation management.



Xin Shuangbai
Non-Executive Director

Mr. Xin Shuangbai, aged 44, was appointed as a non-executive Director in June 2023. He currently serves as deputy officer in strategy planning and development department of Beijing Gehua Media Group and is responsible for strategy planning of the group, operation management, performance appraisal etc. Mr. Xin Shuangbai graduated from Beihang University with major in international finance and obtained a bachelor degree in economics in 1988 and graduated from Communication University of China with major in electromagnetic field and microwave technology and obtained a master's degree in industrial engineering in 2003. In 2007, he joined Beijing All Media Television Company and served as the deputy director of technology department, director of operation management department, assistant to general manager etc. In 2020, he joined the strategy planning and development department of Beijing Gehua Media Group, with comprehensive experience in corporate operation and management.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Feng Jianxun
Non-executive Director

Mr. Feng Jianxun, aged 52, with a master degree in management, and a senior engineer. Mr. Feng was appointed as a non-executive Director in June 2018. He currently serves as the office director of China Financial Computerization Group Co., Ltd. Mr. Feng graduated from the School of Economics and Finance of Xi'an Jiaotong University in July 2001 with a master's degree in Management Science and Engineering.



Gong Zhiqiang
Independent Director

Independent Directors

Mr. Gong Zhiqiang, aged 52, was appointed as an 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 director and senior 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 53, 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 56, 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 teaching assistant 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.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Su Zhongxing
Independent Director

Mr. Su Zhongxing, aged 46, was appointed as an 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 and 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.



Dong Jin
Independent Director

Mr. Dong Jin, aged 52, PhD, with a senior professional title, was appointed as an independent non-executive Director in December 2023 and serves as a member of the Strategy Committee. He is currently an officer of National Blockchain Technology Innovation Centre, a Director of Beijing Microchip Edge Computing Research Institute and a Deputy to the 14th National People's Congress of the People's Republic of China. Mr. Dong Jin graduated in Tsinghua University with a doctor's degree. He has issued over 100 research papers in international academic conference and journals and has obtained over 40 invention patents in United States. Simultaneously, he has served as a member of Advisory Committee for Policy Decision in Technology Strategy in Beijing and a member of Natural Science Foundation in Beijing. Dr. Dong has engaged in the research on core technology in the fields of blockchain, privacy computing and microchip design for a long time and led the development of the first self-controllable blockchain software and hardware technology system – "ChainMaker" in the Mainland, which was applied in more than 100 critical scenarios for the Mainland ministries, State-owned enterprises and in the areas of economy, people's livelihood and social governance in Beijing region etc., generating significant social and economic values.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Ge Li
Supervisor

Supervisors

Ms. Ge Li, aged 49, was appointed as a shareholder representative supervisor in June 2023 and was elected as the Chairman to the Board of Supervisors by the supervisors. Ms. Ge is currently the manager of audit department of BSAM. She served as the deputy general manager of Beijing Oriental Xinda Asset Management Corporation (北京東方信達資產經營總公司), deputy general manager of Beijing Guozi Financial Leasing Co., Ltd. and deputy general manager of Beijing Beiao Group Corp., Ltd., and has extensive experience in auditing and financial management. Ms. Ge graduated from the Business School of Heilongjiang with a bachelor degree in accountancy in July 1999 and graduated from Tsinghua University with a master's degree in business management in July 2015.



Ma Xiaoping
Supervisor

Ms. Ma Xiaoping, aged 38, was appointed as a shareholder representative supervisor in 18 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 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 42, was elected as the employee representative supervisor 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.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Xia Xiaoqing
Senior Management

Senior Management

Mr. Xia Xiaoqing, aged 58, 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, mainly responsible for the Company's government and public affairs business, security service, quality management, network information security and other related work. 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 also served as an executive director of Capinfo Cloud Technology Co., Ltd. from May 2018 to December 2021. 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.



Wang Liang
Senior Management

Mr. Wang Liang, aged 36, joined the Company in February 2018 and is currently the deputy general manager of the Company and a director of Beijing Certificate Authority Co., Ltd., a participating company, mainly responsible for regional development business, government cloud, informationization of state-owned assets and state-owned enterprises and procurement. 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., director of the discipline inspection and supervision department of Capinfo Company Limited, executive deputy general manager and chairman of Capinfo Cloud Technology Co., Ltd., chairman and general manager of Xiamen RitInfo Technology Co., Ltd. and Director and General Manager of Capinfo Technology Development Co., Ltd. Mr. Wang graduated from Heilongjiang University of Science and Technology, majoring in business administration, and obtained a master's degree in management.

PROFILES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES



Du Xiaoling
Senior Management

Ms. Du Xiaoling, aged 43, 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 director of Rito Info Technology Co., Ltd., being the subsidiaries of the Company, a director of Beijing Certificate Authority Co., Ltd, an investee company, mainly responsible for union work, financial management and supervision, administrative synthesis, asset management, internal informatization and production safety. 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 was also served as the supervisor of Beijing Certificate Authority Co., Ltd from September 2020 to April 2022, and the supervisor of Capinfo Medical United Information Technology Company Limited from June 2020 to April 2024. Ms. Du graduated from Southwest China Normal University majored in accounting and received a bachelor's degree in management.



Wu Ning
Senior Management

Mr. Wu Ning, aged 42, joined the Company in June 2020. He is currently the secretary of the board and general counsel of the Company and a director of Xiamen RitoInfo Technology Co., Ltd., a subsidiary. Prior to joining the Company, Mr. Wu worked for 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 2023.

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 19 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 IX 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 47 to 77 of "Corporate Governance Report" and pages 78 to 88 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 2023 of the Company.

RESULTS AND DIVIDEND APPROPRIATION

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Income Statement on page 99 of this annual report.

In view of the fact that the Group did not achieve the expected growth in its operating results and the retained earnings are used to cope with the risks of rising labor costs and increasing contract fulfillment costs in business development, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: RMB1.75 cents per share), subject to shareholders' approval at the forthcoming annual general meeting. During the Reporting Period, there was no payment of any interim dividend (2022: 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.32 to the consolidated financial statements" on page 206 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 2023 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.14 to the financial statements" on page 194 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, the leased area for the period from 20 April 2020 to 19 April 2023 was 5,386 sq.m. The leased area for the period of 20 May 2023 to 20 May 2025 is 2,693 sq.m. and the leased area for the period of 1 June 2023 to 30 September 2024 is 900 sq.m., with an area for lease of 1,793 sq.m. Details of the movements of the investment property of the Group during the Reporting Period are set out in "note V.13 to the consolidated financial statements" on page 193 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' 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.

DIRECTORS' REPORT**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 (*Party Secretary and Chairman*)
 Mr. Zhang Yiqian (*Deputy Party Secretary and General Manager*)
 Mr. Zong Zhaoxing (resigned in June 2023)
 Mr. Yang Yongxin (appointed in June 2023 and resigned in December 2023)

Non-executive Directors

Ms. Yan Yi
 Mr. Xin Shuangbai (appointed in June 2023)
 Mr. Zhou Weihua
 Ms. Zhao Shujie (appointed in December 2023)
 Mr. Feng Jianxun
 Ms. Liang Yi (resigned in June 2023)
 Mr. Shan Yuhu (resigned in December 2023)

Independent Non-executive Directors

Mr. Yang Xiaohui
 Mr. Gong Zhiqiang
 Mr. Cheung, Wai Hung Boswell
 Mr. Su Zhongxing
 Mr. Dong Jin (appointed in December 2023)

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.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as at 31 December 2023, 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 C3 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	419,502	Beneficial owner	0.16%

DIRECTORS' REPORT

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.

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 2023:

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 29.77% of the Group's total revenue, among which, the largest customer attributed approximately 8.79% 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

Except 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 21 July 2014, the Company entered into a share transfer agreement with Xiamen Ruitailong Investment Development Company Limited* (廈門銳泰隆投資發展有限公司) and other transferors (the "Former Shareholders") to acquire the equity interest of Rito Info. On the ground that the Former Shareholders were suspected of exaggeration of financial performance for the period under assessment, in order to protect the interests of the Company and its Shareholders, a new legal proceeding was instituted by the Company in the Beijing First Intermediate People's Court (北京市第一中級人民法院) on 3 April 2023, to seek legal action against the Former Shareholders according to law, requesting, among other things, the revocation of the share transfer agreement and the refund of the consideration paid for the share transfer. The Company applied for property preservation on 25 April 2023, and the preservation measures shall be limited to RMB335,995,436.60. The Beijing First Intermediate People's Court (北京市第一中級人民法院) made a civil judgment and imposed preservation measures on the Former Shareholders in accordance with the law. During the trial of the case, the Former Shareholders counterclaimed that the Company should continue to pay the third installment of the consideration for the share transfer in accordance with the share transfer agreement in dispute, and filed an application for property preservation. The Beijing First Intermediate People's Court (北京市第一中級人民法院) ruled to freeze the bank deposits of the Company in the amount of RMB21,428,269.54. As of 31 December 2023, the case is still in the process of hearing.

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.

CONNECTED TRANSACTIONS AND CONTINUING 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. Connected transactions and continuing connected transactions occurred during the Reporting Period are set out as follows:

DIRECTORS' REPORT

Connected transaction exempted from independent shareholders' approval

Lease Agreements for office premises

With the approval at the 23rd meeting of the eighth session of the Board, the Company and its subsidiaries entered into lease agreements with Jizhi Future on 4 July 2023, details are set out below:

	Parties	Location	Rent	Term
Office Premises I	Landlord: Jizhi Future Tenant: the Company	Units of 301-312 and 501-512 of Quantum Core Building (量子芯座大廈), 27 Zhichun Road, Haidian District, Beijing, the PRC (aggregate rental area of 2,557.44 sq.m.)	total rent (property service fees inclusive) of RMB18,740,357.67	from 15 July 2023 to 30 April 2028
Office Premises II	Landlord: Jizhi Future Tenant: the Company	Units of 601-606 of Quantum Core Building (量子芯座大廈), 27 Zhichun Road, Haidian District, Beijing, the PRC (aggregate rental area of 639.36 sq.m.)	total rent (property service fees inclusive) of RMB4,685,089.48	from 15 July 2023 to 30 April 2028
Office Premises III	Landlord: Jizhi Future Tenant: Capinfo Cloud Technology	Units of 209-214 and 1109-1114 of Quantum Ginza Building (量子銀座大廈), 23 Zhichun Road, Haidian District, Beijing, the PRC (aggregate rental area of 1,965.06 sq.m.)	total rent (property service fees inclusive) of RMB16,378,775.10	from 15 July 2023 to 30 April 2028

Connected relationship: Jizhi Future is a wholly-owned subsidiary of BSAM, the controlling shareholder of the Company. Capinfo Cloud Technology is a subsidiary of the Company.

Transaction background: The leases of the existing office premises will end in July 2023. The new office premises will be used as replacement of existing office premises which will have an additional area of approximately 700 sq.m.

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interests in the above transactions. Moreover, the Directors were of the view that the terms of the lease agreements and the rent payable were fair and reasonable and on normal commercial terms or better, and the entering into the lease agreements were in the ordinary and usual course of business of the Group and were in the interests of the Company and the Shareholders as a whole. On the date of the above Board resolution, the Directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.

DIRECTORS' REPORT

Continuing connected transactions exempted from independent shareholders' approval

Unit: RMB million

No.	Matter	Counterparty	Type	Annual Cap	Annual transaction amount (including tax)
1	Provision of network system and relevant operation and maintenance services	Beijing State-owned Assets Management Co., Ltd. and its subsidiaries	Income	35.00	34.09
2	Purchase of network security system and services	Capnet Company Limited	Expense	30.00	24.36
3	Purchase of Internet access services	Beijing Xinlongfu Property Management Co., Ltd.	Expense	9.00	3.23
4	Purchase of property services		Expense	1.13	0.99

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

With the approval at the 18th meeting of the eighth session of the Board, on 18 January 2023, the Company and BSAM entered into the Technique Services Framework Agreement, pursuant to which, it was agreed that 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 2025. The Board approved, for each of the years from 2023 to 2025, and the connected transaction where Company and its subsidiaries provide related technical services and products to BSAM and its subsidiaries to be RMB35.0 million, RMB35.0 million and RMB35.0 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: 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. 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.

DIRECTORS' REPORT

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 date of the above Board resolution, the Directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.

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

With the approval at the 18th meeting of the eighth session of the Board, on 18 January 2023, 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, with a term expiring on 31 December 2025. The Board approved, for each of the years from 2023 to 2025, and the connected transaction where BSAM and its subsidiaries provide network security system and services to the Company and its subsidiaries to be RMB30.0 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.

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 purchase the products and services to ensure our network systems run safely and stably.

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 date of the above Board resolution, the Directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.

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

With the approval at the 29th meeting of the seventh session of the Board of the Company, 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.

(IV) Connected transaction for the office lease and continuing connected transaction for the property services

As approved at the 33th meeting of the seventh session of the Board of the Company, 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 and unit C602 on the 6th floor in a building, with an aggregate gross floor area of 6,458.77 sq.m., at a rent 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 on 26 May 2021, 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 continuing connected transactions under the property service agreement were RMB0.67 million from June 2021 to December 2021, RMB1.13 million from 2022 to 2023 respectively. 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 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 date of the above Board resolution, the Directors who are employees of BSAM, which were related parties, had abstained from voting on the resolution.

The above lease agreement and property service agreement had expired on 31 December 2023. On 29 December 2023, the Group renewed the above lease agreement and property service agreement for part of the above offices premises and made announcement as required under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 29 December 2023 for details.

*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.

Save as disclosed above, none of the related party transactions as disclosed in note XI to the consolidated financial statements constitutes connected transaction or continuing connected transaction. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on pages 47 to 77 of this annual report.

By Order of the Board

Mr. Yu Donghui
Chairman

Beijing, the PRC
28 March 2024

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

Board of the Company:

In 2023, 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 2023 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 five INEDs, and is compliant with the requirements on the minimum number of INEDs under the Listing Rules. Given the professional background on financial, legal, human resources management and informatisation 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

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 2022, and approved the remuneration of the senior executives of the Company for 2022 and the daily remuneration plan for 2023.

(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 continuously distributed cash dividends from 2008 to 2023 with an accumulated amount of RMB604.59 million (including tax). In view of the fact that, during the Reporting Period, the Group did not achieve the expected growth in its operating results and the retained earnings are used to cope with the risks of rising labor costs and increasing contract fulfillment costs in business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2023, subject to shareholders' approval at the forthcoming annual general meeting. The Company has always put great emphasis on generating investment return for its shareholders, and will continue to adhere to long-term and stable dividend policy and reward its shareholders in the future, taking account of its operational needs.

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.

2023 was an important year for the Company to implement the 14th Five-Year Plan. With "creating value for customers" as the core, the Company continued to promote the business layout of "one focus, two platforms and four sectors", enhanced core technical capabilities, strengthened marketing organisation construction, truly enhanced corporate vitality, and achieved significant results in market expansion. The year 2024 will mark the 75th anniversary of the founding of the PRC, and it will be a critical year to implement the "14th Five-Year Plan" and deepen reform and development of the Company. The Company will continue to strengthen its core competitiveness, enhance its ability to support the operation of major systems, and strive to make new progress in productisation, industrialisation and nationalisation.

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

Beijing, the PRC
28 March 2024

SUPERVISORS' REPORT

In 2023, 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 four meetings, one on-site meeting and one video conference, and passed two written resolutions by circulation and considered a total of 6 issues, to take an effective supervision over the Board and the compliance of operation management of the Company. The Board of Supervisors carefully reviewed the Audit Report and Financial Accounts for 2022, the Report on Continuing Connected Transactions for 2022, the Report of the Board of Supervisors for 2022, the Interim Review Report for 2023 and the Analysis Report on Operation and Financial Position for 2023, and confirmed the information contained therein.

II. OPERATION OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Supervisors' Report of 2022 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 reviewed the Company's Audit Report and Financial Accounts for 2022, Interim Review Report and Analysis Report on Operation and Financial Position for 2023, supervised and inspected the Company's implementation of relevant financial policies, regulations and 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, the Board of Supervisors will, in accordance with the regulatory requirements and the relevant provisions of the Articles of Association, focus on improving the level of supervision, continuously improve the working methods, continue to perform the supervisory duties conscientiously, attend the Board meetings and general meetings of the Company in accordance with the laws, timely grasp the major decisions of the Company, and supervise and promote the legality of various decision-making procedures. Through supervision and inspection of the Company's financial position and supervision and inspection of the Company's production and operation, the Board of Supervisors will further strengthen internal control, prevent operational risks, and better safeguard the interests of the Company and its shareholders.

By Order of the Board of Supervisors

Ms. Ge Li

Chairman of the Board of Supervisors

Beijing, the PRC
28 March 2024

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 and 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 C1 to the Listing Rules as its own corporate governance code. As of the date of this report, the Company has complied with all code provisions under the Corporate Governance Code.

CORPORATE STRATEGY AND CULTURE

The Company advocates the corporate culture featuring “firm political stand and high sense of responsibility and reliability”, shoulders our responsibilities as a state-owned enterprise, focuses on smart construction, actively promotes data application and innovation, integrates development technologies into different occasions, and performs our function of serving the construction of “smart city” and “benchmark city for the global digital economy” in the capital. The Company focuses on value creation for customers, optimizes management mechanisms, enhances our risk control capabilities to ensure high-quality development, and strives for “a leading operator of smart city and data industry”.

The Company has continuously promoted the Party conduct and anti-corruption work, and continued to make efforts in building a wholesome political atmosphere to provide a strong support for business development.

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 actual situation of the Company, the Company constantly developed, improved and effectively implemented work systems and related work processes for the Board and its 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 of 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 Investor Projects
22	Administrative Measures for Economic Responsibility Audit
23	Rules of Equity Investment Management
24	Negative List of Investment Projects
25	Administrative Measures for Overseas Investments
26	Negative List of Overseas Investment Projects
27	Regulations on Management of the Parent Company and Subsidiaries
28	Management System of Finance Raising
29	Comprehensive Budgeting Management System
30	Rules of Compliance Management (on trial)
31	Administrative Measures for Board Authorization
32	Provisions on the Management of Rules and Regulations
33	Financial Management System
34	Remuneration Management Policy
35	Provisions on the Management of Legal Affairs
36	Measures for the Evaluation of the Internal Control

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	As of the date of this report, ten 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 Audit 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 a report on the evaluation of internal control to the Board every year, 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 more lenient than that of the Model Code as set out in Appendix C3 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 reports of the Board, 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 fall into the terms of reference 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 85 to 87 of this annual 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.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF BOARD OF DIRECTORS

As of the date of this report, the Company's Board of Directors comprises twelve members, including two Executive Directors, five Non-executive Directors and five Independent Non-executive 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.

As of 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 20 to 25 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 which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

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 meetings and report on its work at 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 or dismiss other senior management personnel of the Company according to the nomination of the general manager, 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 C1 to the Listing Rules and disclosure in the Corporate Governance Report; and
- other matters stipulated by laws and regulations or Articles of Association and authorized at the general meetings.

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.

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TERM OF APPOINTMENT OF DIRECTORS

The term of each session of the Board of the Company is three years. 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 can be terminated within one year without payment of compensation, other than statutory compensation.

DIRECTORS' TRAINING

In accordance with the requirements of Rule C.1.4 of Appendix C1 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 they contribute to the Board with a well-rounded professionalism. 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 banking, 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 D.1.2 set out in Appendix C1 to the Listing Rules, the Company provides Directors with "Monthly Report", which contains the Company's stock price performance, information disclosure, supervision and legislation trends and industry development trends. 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.

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CONTINUOUS PROFESSIONAL DEVELOPMENT PARTICIPATED BY DIRECTORS

Name	Reading regulatory updates	Attending seminars/conferences relevant to the Directors' duties	Receiving shareholders' visit
Executive Directors			
Mr. Yu Donghui (Party Secretary and Chairman)	✓	✓	✓
Mr. Zhang Yiqian (Deputy Party Secretary and General Manager)	✓	✓	
Non-executive Directors			
Ms. Yan Yi	✓	✓	
Mr. Zhou Weihua	✓	✓	
Mr. Xin Shuangbai	✓	✓	
Ms. Zhao Shujie	✓	✓	
Mr. Feng Jianxun	✓	✓	
Independent Non-executive Directors			
Mr. Yang Xiaohui	✓	✓	
Mr. Gong Zhiqiang	✓	✓	
Mr. Cheung, Wai Hung Boswell	✓	✓	
Mr. Su Zhongxing	✓	✓	
Mr. Dong Jin	✓	✓	
Resigned or retired Directors:			
Mr. Zong Zhaoxing	✓	✓	
Mr. Yang Yongxin	✓	✓	
Ms. Liang Yi	✓	✓	
Mr. Shan Yuhu	✓	✓	

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DIRECTORS' LIABILITY INSURANCE

In accordance with the requirement of Code Provision C.1.8 set out in Appendix C1 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.

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 financial position, results of operations and cash flow of the Group during the Year. In preparing the financial statements for the year ended 31 December 2023, 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 89 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 C3 of the Listing Rules. Having made specific enquiries 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 2023.

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 C.5.3 and C.5.8 of Appendix C1 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 11 meetings. Details on the attendance 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 69 of this annual report.

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To ensure the Directors making decisions objectively in the best interests of the Company, pursuant to the relevant requirements under Rule 13.44 of the Listing Rules and 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 Paragraph B.(c) and (d) as set out in Part I of Appendix C1 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 entrusting another director to attend such meetings on his/her behalf 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.

The Board considers that the above mechanism and arrangements are effective in ensuring that the Board is provided with independent views and opinions.

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.

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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. As of the date of this report, the members of the Audit Committee are as follows:

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

The main authorities and duties of the Audit Committee include:

- to make recommendation to the Board on the appointment, re-appointment and removal of an external auditor, to approve the remuneration and the terms of engagement of the external auditor and to deal with any issues relating to the resignation or dismissal of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor the nature and scope of the audit and reporting obligations before audit commences and ensure co-ordination where more than one audit firms are 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 staff in charge of these departments;

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- to monitor the financial, accounting policies and practices of the Company (including the financial control, risk management and internal control systems), to review reports of the risk management and internal control systems, financial statements and performance reports before they are submitted to the Board of Directors, to check the completeness of the statements and reports and to review significant opinions concerning financial reporting contained in them, in particular:
 - (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 accounting standards; 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 the monitoring officer of the Company, and other matters that the auditor wishes to discuss (if necessary, in the absence of management);
- to keep in contact with the Board of Directors and senior management by members of the Committee, and to meet at least twice (2) a year with the external auditor;
- to review the external auditor's explanatory statement to the management on its audit, any material 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;

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- 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;
- to cooperate with the Board of Supervisors in its audit activities;
- act as the key representative of the Company and the external auditor for overseeing the relationship between the two parties;
- the Audit Committee has a special email (audit@capinfo.com.cn) for raising concern and taking appropriate action towards and requesting the Company to undertake a fair and independent investigation over the matters with respect to any misconduct exists in the Company which are reported or raised by the staff and other relevant parties (including but not limited to customers and suppliers);
- 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.

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Convening of Audit Committee Meetings

In 2023, the Audit Committee held five meetings. The meeting mainly reviewed the following issues:

- 2022 Audit Report and 2023 Interim Review Report of the Company and its subsidiaries, the Operation and Financial Position Analysis Report for the first quarter and third quarter of 2023.
- the appointment of Grant Thornton as the independent auditor of the Company for the year of 2023
- the amendments to the Articles of Audit Committee and the Implementation Measures on the Accountability for Non-compliant Operation and Investment
- the Summary Report on Internal Audit;
- 2023 Annual Work Plan of the Audit Committee
- 2022 Summary Report on the Internal Audit Work and 2023 Audit Work Plan

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 attendances 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 69 of this annual report.

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REMUNERATION AND APPRAISAL COMMITTEE

The Company has established the Remuneration and Appraisal Committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of the Remuneration and Appraisal Committee to set out its terms of reference in writing, so as to regulate the compliance operation of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee comprises three members. The term of Remuneration and Appraisal Committee is three years, the same as that of the Board of Directors, and will expire on 17 June 2024, and may be renewed thereafter, subject to re-election, renewal and other relevant provisions of the Articles of Association and the Articles of the Remuneration and Appraisal Committee, provided that the term of office may be terminated with the consent of both the members and the Company. As of the date of this report, the members of the Remuneration and Appraisal Committee are as follows:

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

Key functions and powers of Remuneration and Appraisal Committee

- 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;

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- to vote on the service contracts of the Directors and the supervisors before submitting to the shareholders for approval;
- to make recommendations to the Board on the remuneration of the Non-executive Directors and supervisors;
- to review and/or approve matters relating to show schemes under Chapter 17 of the Listing Rules;
- 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.

Meetings of the Remuneration and Appraisal Committee

In 2023, the Remuneration and Appraisal Committee held two meetings in total, which mainly considered the following topics:

- Gross payroll of the Company in 2022, appraisal for remuneration of senior management in 2022 and remuneration plan for 2023
- 2023 Work Plan of the Remuneration and Appraisal Committee
- Amendments to the Articles of the Remuneration and Appraisal Committee and the Remuneration Management Policy

The attendance of members of the Remuneration and Appraisal Committee is stated in the section titled "Attendance of Directors on the Board and its Professional Committees" on page 69 of the Annual Report.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Remuneration Policy for Directors and Supervisors

The current remuneration system for Directors and Supervisors of the Company was approved by the shareholders at the annual general meeting held on 18 June 2021. The remuneration standard for Directors and Supervisors was determined at the annual general meeting of the Company. The Directors and Supervisors who receive remuneration from the Company's domestic shareholder units will not receive further remuneration as Directors and Supervisors in the Company, and the Directors and Supervisors who serve and receive remuneration in the Company and its participating and controlling companies will no longer receive remuneration as Directors and Supervisors. The remuneration standard for independent non-executive Directors was determined to be RMB80,000 per annum for each person.

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Remuneration of Directors and Supervisors

Unit: RMB'0,000

Name	Director's fee	Job salary, allowances and contribution to retirement benefits schemes	Total
Executive Directors			
Mr. Yu Donghui (Party Secretary, Chairman)	-	125.52	125.52
Mr. Zhang Yiqian (Deputy Party Secretary, General Manager)	-	125.51	125.51
Mr. Zong Zhaoxing (resigned in June 2023)	-	53.16	53.16
Mr. Yang Yongxin (appointed in June 2023 and resigned in December 2023)	-	54.20	54.20
Non-executive Directors			
Ms. Yan Yi	-	-	-
Mr. Zhou Weihua	-	-	-
Mr. Xin Shuangbai (appointed in June 2023)	-	-	-
Ms. Zhao Shujie (appointed in December 2023)	-	-	-
Mr. Feng Jianxun	-	-	-
Ms. Liang Yi (resigned in June 2023)	-	-	-
Mr. Shan Yuhu (resigned in December 2023)	-	-	-
Independent non-executive directors			
Mr. Yang Xiaohui	8.00	-	8.00
Mr. Gong Zhiqiang	8.00	-	8.00
Mr. Zhang Weixiong	8.00	-	8.00
Mr. Su Zhongxing	8.00	-	8.00
Mr. Dong Jin (appointed in December 2023)	-	-	-
Shareholder Representative Supervisors			
Ge Li (appointed in June 2023)	-	-	-
Ma Xiaoping	-	-	-
Yu Nan (resigned in June 2023)	-	-	-
Staff Representative Supervisor			
Zhu Chenlan	-	80.22	80.22

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REMUNERATION FOR SENIOR EXECUTIVES AND TOP FIVE EMPLOYEES

The annual salary of the senior executives is within the range of RMB1.5 million. Details of the senior executives and top five salaried employees are set out in “Note XIV.3 to the Consolidated Financial Statements” on pages 248 to 251 of this annual report.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with Article 3.27A of the Listing Rules, and formulated the Articles of the Nomination Committee to set out its terms of reference in writing, so as to regulate the compliance operation of the Nomination Committee. The Nomination Committee comprises three members. The term of the Nomination Committee is three years, the same as that of the Board of Directors, and will expire on 17 June 2024, and may be renewed thereafter, subject to re-election, renewal and other relevant provisions of the Articles of Association and the Articles of the Nomination Committee, provided that the term of office may be terminated with the consent of both the members and the Company. As of the date of this report, the members of the Nomination Committee are as follows:

Name	Type of Director	Position
Mr. Yu Donghui	Executive Director	Chairman
Mr. Gong Zhiqiang	Independent non-executive director	Member
Mr. Zhang Weixiong	Independent non-executive director	Member

Key functions and powers of the Nomination Committee

- To make recommendations to the Board of Directors on the size and composition of the Board at least annually based on the Company’s business situation, asset size, ownership structure and development strategy, and with reference to the directors’ skills, experience, knowledge, expertise and membership diversity;
- To review and evaluate the independence of the independent non-executive Directors;
- To make recommendation to the Board as to the appointment of Directors, the reappointment of Directors and the successor plan for the Directors (particularly the Directors serving concurrently as the Chairman and the General Manager);
- To study the criteria and procedure for selecting the Directors and make recommendations to the Board;
- To extensively identify qualified candidates for Directors;
- To conduct appraisals on the candidates of Directors, and make recommendations;
- To monitor the implementation of the Board diversity policy and review it where appropriate to ensure its effectiveness; to review the measurable objectives developed for the implementation of Board Diversity Policy and its progress;

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- To disclose the diversity policy or policy summary and review findings in the Corporate Governance Report annually; and
- To perform other duties as authorized by the Board.

The procedure for nominating directors by the Nomination Committee

- To actively communicate with the relevant divisions of the Company, study the demand of the Company for new Directors and prepare written documents;
- To identify candidates for directorship within the Company, its controlling companies as well as in the labour market in an extensively manner;
- 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;
- 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;
- To convene meetings of the Nomination Committee and to review the qualification of the initial candidates according to their relevant qualifications;
- To make recommendations about the candidates for directorship and provide relevant documents to the Board of Directors before the election of new Directors;
- To conduct other follow-up works based on the decision and feedbacks of the Board of Directors.

Meetings of the Nomination Committee

In 2023, the Nomination Committee held four meetings, which mainly considered the following topics:

- The size and composition of the Board of Directors in 2022
- 2023 Work Plan of the Nomination Committee
- Proposal to the Board to consider the appointment of Mr. Yang Yongxin as executive Director and member of the Rule of Law and Compliance Committee

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- Proposal to the Board to consider the appointment of Mr. Xin Shuangbai as non-executive Director
- Proposal to the Board to consider the appointment of Ms. Zhao Shujie as non-executive Director
- Proposal to the Board to consider the appointment of Mr. Dong Jin as independent non-executive Director

The attendance of members of the Nomination Committee is stated in the section titled “Attendance of Directors on the Board and its Professional Committees” on page 69 of the Annual Report.

STRATEGY COMMITTEE

The Company has established the Strategy Committee, and formulated the Articles of the Strategy Committee to set out its terms of reference in writing, so as to regulate the compliance operation of the Strategy Committee. The Strategy Committee comprises four members. The term of the Strategy Committee is three years, the same as that of the Board of Directors, and will expire on 17 June 2024, and may be renewed thereafter, subject to re-election, renewal and other relevant provisions of the Articles of Association and the Articles of the Strategy Committee, provided that the term of office may be terminated with the consent of both the members and the Company. As of the date of this report, the members of the Strategy Committee are as follows:

Name	Type of Director	Position
Mr. Yu Donghui	Executive Director	Chairman
Mr. Zhang Yiqian	Executive Director	Member
Mr. Su Zhongxing	Independent non-executive director	Member
Mr. Dong Jin	Independent non-executive director	Member

Key functions and powers of the Strategy Committee

- 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.

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Meetings of the Strategy Committee

In 2023, the Strategy Committee held two meetings in total, which mainly considered the following topics:

- Post-investment project evaluation report of Rito Info Technology Co., Ltd.
- 2023 Work Plan of the Strategy Committee

The attendance of members of the Strategy Committee is stated in the section titled “Attendance of Directors on the Board and its Professional Committees” on page 69 of the Annual Report.

RULE OF LAW AND COMPLIANCE COMMITTEE

The Company has established the Rule of Law and Compliance Committee, and formulated the Articles of the Rule of Law and Compliance Committee to set out its terms of reference in writing, so as to regulate the compliance operation of the Rule of Law and Compliance Committee. The Rule of Law and Compliance Committee comprises three members. The term of the Rule of Law and Compliance Committee is three years, the same as that of the Board of Directors, and will expire on 17 June 2024, and may be renewed thereafter, subject to re-election, renewal and other relevant provisions of the Articles of Association and the Articles of the Rule of Law and Compliance Committee, provided that the term of office may be terminated with the consent of both the members and the Company. As of the date of this report, the members of the Rule of Law and Compliance Committee are as follows:

Name	Type of Director	Position
Mr. Yu Donghui	Executive Director	Chairman
Mr. Zhang Yiqian	Executive Director	Member
Mr. Gong Zhiqiang	Independent non-executive director	Member

Key functions and powers of the Rule of Law and Compliance Committee

- To understand the development and operation of the Company’s legal and compliance system;
- To supervise and evaluate the legal and compliance management of the Company, check the Company’s performance in complying with laws and regulations;
- To review the organization setup and responsibility plan for governing the enterprise according to law, the annual legal and compliance work plan and progress report of the Company; and
- To perform other duties as authorized by the Board.

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Meetings of the Rule of Law and Compliance Committee

In 2023, the Rule of Law and Compliance Committee held two meetings in total, which mainly considered the following topics:

- 2023 Work Plan of the Rule of Law and Compliance Committee
- 2023 Legal and Internal Control Compliance Work Report of the Company

The attendance of members of the Rule of Law and Compliance Committee is stated in the section titled "Attendance of Directors on the Board and its Professional Committees" on page 69 of the Annual Report.

ATTENDANCE OF DIRECTORS ON THE BOARD AND ITS PROFESSIONAL COMMITTEES

Name	Board of Directors ¹	Audit Committee ²	Remuneration and Appraisal Committee ³	Rule of	Nomination Committee ⁵	Strategy Committee ⁶
				Law and Compliance Committee ⁴		
Executive Directors						
Mr. Yu Donghui	10/11			2/2	4/4	2/2
Mr. Zhang Yiqian	10/11			0/0		2/2
Mr. Zong Zhaoxing (resigned in June 2023)	4/5			1/1		
Mr. Yang Yongxin (appointed in June 2023 and resigned in December 2023)	6/6			1/1		
Non-executive Directors						
Ms. Yan Yi	10/11		2/2			
Mr. Zhou Weihua	6/11					
Ms. Liang Yi (resigned in June 2023)	5/5					
Mr. Xin Shuangbai (appointed in June 2023)	4/6					
Mr. Shan Yuhu (resigned in December 2023)	8/11					
Mr. Feng Jianxun	6/11					
Ms. Zhao Shujie (appointed in December 2023)	0/0					
Independent non-executive directors						
Mr. Yang Xiaohui	10/11	5/5	2/2			
Mr. Gong Zhiqiang	8/11	5/5	2/2	2/2	4/4	
Mr. Zhang Weixiong	4/11	5/5			4/4	
Mr. Su Zhongxing	6/11	5/5				2/2
Mr. Dong Jin (appointed in December 2023)	0/0					0/0

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Notes:

1. The Board of Directors held five on-site meetings and six meetings through video conference.
2. The Audit Committee held one meeting through video conference and signed meeting documents by circulation on four occasions.
3. The Remuneration and Appraisal Committee signed meeting documents by circulation on two occasions.
4. The Rule of Law and Compliance Committee signed meeting documents by circulation on two occasions.
5. The Nomination Committee signed meeting documents by circulation on four occasions.
6. The Strategy Committee signed meeting documents by circulation on two occasions.

DIVERSITY POLICY

In terms of the composition of the Board, the Company supports the principle of diversity and strives to achieve a scientific balance in those aspects such as the Directors' genders, ages and business expertise, thus playing an active role in corporate governance level. The Company's Board of Directors comprises two female members and ten male members, with one aged below 40, four aged between 40 and 49 as well as seven aged 50 and above. The Board's members are professionals in finance, law, commerce, information services and management with extensive experience and expertise in various areas. The Board considers that the board members have achieved its goal of diversity.

In addition, the Company insists on equal employment and eliminates any discrimination based on gender, age, race, religion, etc. With 34.73% of all employees being female, we have achieved gender diversity. Details of employees by gender, employees by functions and employees by age groups are set out in the Company's Environmental, Social and Governance Report.

THE COMPANY SECRETARY

With the approval at the first meeting of the eighth session of the Board, the Company appointed Mr. Lu Lei and Ms. Koo Ching Fan as joint company secretaries to assist the Board in fulfilling its responsibilities to shareholders in accordance with the Listing Rules, provide professional advice on governance to the Board, ensure good communication among Board members, arrange orientation and professional development for Directors, ensure the compliance with Board procedures and enhance the Board effectiveness.

As Mr. Lu Lei tendered his resignation as Joint Company Secretary to the Board, and the resignation took effect from 20 March 2023, at present, Ms. Koo Ching Fan continues to perform her duties and role as Company Secretary. Ms. Koo graduated from the Hong Kong Polytechnic University with a Master's degree in Accounting in 2002. She is also 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 known as the Institute of Chartered Secretaries and Administrators), U.K. and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in corporate secretarial work. As Ms. Koo is an external service provider of the Company, in accordance with Code Provision C.6.1 of the Corporate Governance Code of Hong Kong, the Company has appointed the Secretary of the Board of Directors, Mr. Wu Ning, as the primary contact person to assist the Company Secretary, Ms Koo Ching Fan to perform her relevant duties.

CORPORATE GOVERNANCE REPORT

In accordance with Rule 3.29 of the Listing Rules, during the Reporting Period, the Company Secretary attended more than 15 hours of professional training, mainly in the areas of law and regulation, finance, internal control and corporate governance organised by The Hong Kong Chartered Governance Institute and the Institute of Chartered Certified Accountants of the United Kingdom. Through continuous training and learning, she has effectively improved her professional ability and played a positive role in assisting the effective operation of the Board of Directors.

BOARD OF SUPERVISORS

The Company has 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 set out its terms of reference in writing, so as to regulate the operation of the Board of Supervisors. The Board of Supervisors comprises three members, as shown below:

Name	Type of supervisor	Position
Ms. Ge Li	Shareholder Representative Supervisor	Chairman of the Board of Supervisors
Ms. Ma Xiaoping	Shareholder Representative Supervisor	Supervisor
Ms. Zhu Chenlan	Staff Representative Supervisor	Supervisor

The term of the eighth session of the Board of Supervisors is three years and will expire on 17 June 2024, and may be renewed thereafter, subject to re-election, renewal and other relevant provisions of the Articles of Association and the Rules of Procedures of Meetings of the Board of Supervisors, provided that the term of office may be terminated with the consent of both the members and the Company.

The Company has entered into a service contract with each of the members of the eighth session of the Board of Supervisors. Except as disclosed above, there is no service contract between the supervisor and the Group which cannot be terminated by the Group within one year without compensation (other than statutory compensation). Biographies of supervisors are set out in the section titled "Resumes of Directors, Supervisors and Executive Officers" on page 26 of this annual report.

Key functions and powers of the Board of Supervisors

- 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;

CORPORATE GOVERNANCE REPORT

- 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.

Meetings of the Board of Supervisors

Details of the meetings of the Board of Supervisors during the Reporting Period are set out in the section titled "Reports of Board of Supervisors" on pages 44 to 46 of this annual report.

Supervisors' participation in training

During the Reporting Period, all the supervisors participated in various forms of training and learning to improve and update their knowledge and skills, including on-site training on corporate governance, books reading and online studies on laws and regulations, finance and internal control of risks. In addition, the monthly report provided by the Company to the Directors was also sent to the supervisors, so that they can keep abreast of the Company's stock price performance, information disclosure, supervision and legislation trends and industry development trends. During the Reporting Period, the supervisors provided training records to the Company on a regular basis.

RISK MANAGEMENT AND INTERNAL MONITORING

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.

CORPORATE GOVERNANCE REPORT

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 2023, 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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Control Culture	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.
Risk Assessment	Confirm and identify risks (including environmental, social and governance risks) relating to the Company as the basis to develop control measures.
Control Measures	Formulate policies and procedures for each business function, including approval, authorization, check, advice, performance assessment, assets safety and division of responsibilities.
Information Communication	Ensure smooth information communication with outside and provide responsibilities reminder for the management to take measures to implement the supervision effectively.
Supervision	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.

CORPORATE GOVERNANCE REPORT

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.

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 2023, 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.

CORPORATE GOVERNANCE REPORT

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.

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 2 compliance audits, 2 term-end accountability audits, 2 special audits, 1 foreign audit, 4 follow-up audits, 1 internal control evaluation report, and 1 post-investment evaluation report. Thus, the Company has performed its audit supervision and evaluation duties in a more effective way.

CORPORATE GOVERNANCE REPORT

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.

Key works completed by the audit department during the Reporting Period:

Reporting period	Number of audit reports	Number of outgoing/ transfer audit reports	Number of compliance audit reports	Number of Foreign audit reports	Number of special audit reports	Number of audit review reports	Number of internal control evaluation reports	Number of post- investment evaluation reports
2022	29	5	6		7	6	3	2
Q1 2023	2	1				1		
Q2 2023	1				1			
Q3 2023	2		1			1		
Q4 2023	8	1	1	1	1	2	1	1
Total	13	2	2	1	2	4	1	1

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITOR

Grant Thornton China (“Grant Thornton China”) has sent a letter to the Audit Committee confirming its independence and the absence of any relationship between the Company and it which may affect its independence. During the Reporting Period, Grant Thornton China provided the following services to the Company:

Unit: RMB’0,000

Service items	2023	2022
Audit services	110.0	110.0
Non-audit Service	43.6	43.8
Total	153.6	153.8

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.

INVESTOR RELATIONS

In 2023, 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 2023, the market capitalization of the Company amounted to HK\$941.88 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.

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 of the Company 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 RMB-72.91 million and the basic earnings per share amounted to RMB-2.5 cents. The Board does not recommend the payment of a final dividend for the year ended 31 December 2023, subject to Shareholders' approval at the annual general meeting to be held on 18 June 2024.

INVESTOR RELATIONS

- 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).

INVESTOR 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〈非居民享受稅收協定待遇管理辦法(試行)〉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%.

INVESTOR RELATIONS

DIVIDEND DISTRIBUTION INFORMATION FOR PREVIOUS YEARS

Year of distribution	Declaration date	Payment date**	Dividend per share before tax		Total amount of cash dividend paid RMB million	Percentage of dividend to net profit attributable to the shareholders of the parent company	
			RMB cent	HK\$ cent		Net profit attributable to the shareholders of the parent company RMB million	to net profit attributable to the shareholders of the parent company
Final dividend for 2007	20 March 2008	15 July 2008	1.40	1.54	40.6	47.1	86.13%
Final dividend for 2008	23 March 2009	16 July 2009	0.52	0.59	15.1	53.2	28.32%
Interim 2010	12 August 2010	5 November 2010	2.05	2.35	59.4	76.8*	77.35%
Final dividend for 2010	21 March 2011	9 August 2011	1.15	1.36	33.3	73.7	45.22%
Final dividend for 2011	23 March 2012	13 August 2012	1.20	1.48	34.8	69.1	50.36%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	81.4	46.31%
Final dividend for 2013	21 March 2014	23 September 2014	1.30	1.65	37.7	81.4	46.29%
Final dividend for 2014	27 March 2015	24 September 2015	1.06	1.34	30.7	67.0	45.83%
Final dividend for 2015	24 March 2016	23 September 2016	1.57	1.88	45.5	101.5	44.81%
Final dividend for 2016	24 March 2017	29 September 2017	1.09	1.23	31.6	109.2	28.92%
Final dividend for 2017	23 March 2018	29 September 2018	1.25	1.55	36.2	81.1	44.64%
Final dividend for 2018	25 March 2019	27 September 2019	0.97	1.14	28.1	62.1	45.25%
Final dividend for 2019	27 March 2020	25 September 2020	1.98	2.17	57.4	127.6	44.91%
Final dividend for 2020	30 March 2021	27 September 2021	1.98	2.35	57.4	127.5	45.00%
Final dividend for 2021	25 March 2022	26 September 2022	0.29	0.35	8.40	18.4	45.00%
Final dividend for 2022	31 March 2023	25 September 2023	1.75	2.00	50.7	128.5	39.74%
Final dividend for 2023	28 March 2024	-	-	-	-	-	-

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.

INVESTOR RELATIONS

SHAREHOLDERS' COMMUNICATION POLICY

COMMUNICATION WITH INVESTORS

In 2023, the Company positively enhanced interaction with capital market, and conducted positive and frank communication with the investors through various channels such as annual general meeting, company visits and teleconference to update investors on information on the macroeconomic environment, the industry prospect and the operation of the Company. In September 2023, the Company held an interim results conference to communicate with investors, analysts and the media on the 2023 interim results and operating conditions, and respond to investors' questions. Various forms of communication and interaction further strengthen investors' understanding of the industry and the Company and enable 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 2023, the Company published 49 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.

INVESTOR RELATIONS

The Company's website (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 2023, 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 2022	3 January 2023
2	Terms of Reference of the Remuneration Committee of the Board of Directors (Revised)	13 January 2023
3	Terms of Reference of the Audit Committee of the Board of Directors (Revised)	13 January 2023
4	Continuing Connected Transactions Renewal of Technique Services Framework Agreement	18 January 2023
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2023	1 February 2023
6	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2023	1 March 2023
7	Resignation Of Company Secretary and Change of Authorised Representative	20 March 2023
8	Notice of Board Meeting	21 March 2023
9	Annual Consolidated Results for the Year Ended 31 December 2022	31 March 2023
10	Final Dividend for the Year Ended 31 December 2022	31 March 2023
11	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2023	4 April 2023
12	Annual Report 2022	27 April 2023
13	2022 Environmental, Social and Governance Report	27 April 2023
14	Notice of Publication of 2022 Environmental, Social and Governance Report ("ESG report")	27 April 2023
15	Cash Dividend Announcement for Equity Issuer (Updated)	27 April 2023
16	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2023	5 May 2023
17	Proposed Election of Directors	16 May 2023
18	Notice of Annual General Meeting	16 May 2023
19	Proposed Election of Directors and Notice of Annual General Meeting	16 May 2023
20	Proxy Form of Annual General Meeting	16 May 2023
21	Proposed Election of Supervisor	31 May 2023
22	Proposed Election of Supervisor and Supplemental Notice of Annual General Meeting	31 May 2023
23	Supplemental Notice of Annual General Meeting	31 May 2023
24	Supplemental Proxy Form of Annual General Meeting	31 May 2023

INVESTOR RELATIONS

25	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2023	6 June 2023
26	Poll Results of Annual General Meeting and Changes of Directors, Supervisors and Member of Board Committee	16 June 2023
27	List of Board of Directors and Their Role and Function	16 June 2023
28	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2023	3 July 2023
29	Connected Transactions the Lease Agreements in respect of Office Premises	4 July 2023
30	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2023	2 August 2023
31	Notice of Board Meeting	18 August 2023
32	Interim Results Announcement For the Six Months Ended 30 June 2023	30 August 2023
33	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2023	4 September 2023
34	Voluntary Announcement Announcement on Convening of 2023 Interim Results Conference	4 September 2023
35	2023 Interim Report	21 September 2023
36	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2023	9 October 2023
37	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2023	1 November 2023
38	Proposed Election of Director Proposed Amendments to the Rules and Procedures for Meetings of the Board	30 November 2023
39	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2023	5 December 2023
40	Proposed Amendments to the Rules and Procedures for Meetings of the Board Proposed Election of Director and Notice of Extraordinary General Meeting	6 December 2023
41	Proxy Form of Extraordinary General Meeting	6 December 2023
42	Notice of Extraordinary General Meeting	6 December 2023
43	Proposed Election of Director	8 December 2023
44	Proposed Election of Director and Supplemental Notice of Extraordinary General Meeting	11 December 2023
45	Supplemental Proxy Form of Extraordinary General Meeting	11 December 2023
46	Supplemental Notice of Extraordinary General Meeting	11 December 2023
47	Poll Results of Extraordinary General Meeting and Changes of Directors and Members of Board Committee	29 December 2023
48	List of Board of Directors and Their Role and Function	29 December 2023
49	Connected Transaction BXLE Lease Agreement and Continuing Connected Transaction Property Service Agreement	29 December 2023

*INVESTOR 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 two shareholders' general meetings 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:

	<u>2022 Annual General Meeting</u>	<u>2023 First Extraordinary General Meeting</u>
<u>Date of meeting</u>	16 June 2023	29 December 2023
<u>Place of meeting</u>	Beijing	Beijing

INVESTOR RELATIONS

	<u>2022 Annual General Meeting</u>	<u>2023 First Extraordinary General Meeting</u>
Agenda items	<p>Ordinary Resolutions:</p> <ol style="list-style-type: none"> 1. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and auditor's report for the year ended 31 December 2022. 2. To consider and approve the Directors' report of the Company for the year 2022. 3. To consider and approve the Supervisors' report of the Company for the year 2022. 4. To consider and approve the independent non-executive Director's report of the Company for the year 2022. 5. To consider and approve the re-appointment of Grant Thornton (Special General Partnership) as auditor and to authorize the Board of the Company to fix their remuneration. 6. To declare the final dividend of RMB1.75 cents (i.e. HK2.00 cents) per share for the year ended 31 December 2022. 7. (1) To elect Mr. Yang Yong Xin as executive Director of the eighth session of the Board of the Company; <li style="padding-left: 2em;">(2) To elect Mr. Xin Shuangbai as non-executive Director of the eighth session of the Board of the Company. 8. To authorize the Board to enter into service contract or appointment letter with each of the newly elected executive Director and non-executive Director pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters. 9. To elect Ms. Ge Li as Supervisor of the eighth session of the Supervisory Committee of the Company. 10. To authorize the Board to enter into service contract or appointment letter with the newly elected Supervisor pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters. <p>Special resolution:</p> <p>Nil</p>	<p>Ordinary Resolutions:</p> <ol style="list-style-type: none"> 1. To propose amendments to the Rules and Procedures for Meetings of the Board. 2. To elect Ms. Zhao Shujie as non-executive Director of the eighth session of the Board of the Company. 3. To authorize the Board to enter into service contract with the newly elected non-executive Director pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters. 4. To elect Dr. Dong Jin as independent non-executive Director of the eighth session of the Board of the Company. 5. To authorize the Board to enter into service contract with the newly elected independent non-executive Director pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters. <p>Special resolution:</p> <p>Nil</p>

INVESTOR RELATIONS

	2022 Annual General Meeting	2023 First Extraordinary General Meeting
Number of shareholders or authorized representatives present at the meeting	5	5
Total number of representing shares	2,124,206,091	2,124,206,091
Of total share capital	73.30%	73.30%
For	Ordinary resolutions 100%	Ordinary resolutions 100%
Against	Ordinary resolutions 0%	Ordinary resolutions 0%

ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2022 Annual General Meeting	2023 First Extraordinary General Meeting
Executive Directors		
Mr. Yu Donghui (Party Secretary and Chairman)	✓	✓
Mr. Zhang Yiqian (Deputy Party Secretary and General Manager)	✓	✓
Mr. Zong Zhaoxing	✓	N/A
Mr. Yang Yongxin	N/A	✓
Non-Executive Directors		
Ms. Liang Yi	✓	N/A
Ms. Yan Yi	✓	✓
Mr. Zhou Weihua	✓	
Mr. Shan Yuhu	✓	✓
Mr. Feng Jianxun	✓	✓
Mr. Xin Shuangbai	N/A	
Ms. Zhao Shujie	N/A	N/A
Independent Non-executive Directors		
Mr. Yang Xiaohui	✓	
Mr. Gong Zhiqiang		
Mr. Cheung, Wai Hung Boswell		✓
Mr. Su Zhongxing	✓	
Mr. Dong Jin	N/A	N/A

INVESTOR 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 general meeting will be published at the websites of the Stock Exchange and the Company respectively on the same day after the general meeting for the information of the shareholders and investors.

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. Wu Ning, the secretary of the Board of the Company by post. Any such letter from the shareholders should be marked with "Shareholders' Communication" on envelope.

The Board has reviewed the effectiveness of the shareholders' communication policy implemented during the year and considers that the communication between the Company and its shareholders and stakeholders has been effectively enhanced through multiple communication channels.

INVESTORS CALENDAR

Date	Issue
28 March 2024	Announcement of annual results for the year ended 31 December 2023
27 April 2024	Dispatch of 2023 Annual Report
27 April 2024	Dispatch of Notice of 2023 Annual General Meeting and Proxy Form
13 June to 18 June 2024	Closure of register of members to ascertain the entitlement of shareholders to attend the general meeting
18 June 2024	Convention of 2023 Annual General Meeting*
August 2024	Announcement of interim results for the six months ended 30 June 2024

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.

AUDITORS' REPORT



Grant Thornton LLP (Special General Partnership)
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GTCSZ (2024) No. 110A006025

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 sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company cash flows statements, the consolidated and company statements of changes in equity for the year 2023, 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 2023, and the consolidated and company financial performance and the consolidated and company cash flows for the year 2023 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 judgment, 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) Recognition of main business revenue

For details of relevant information disclosure, please refer to Note III (25) and Note V (37) of the Financial Statements.

1. Description of matters

The business revenue of Capinfo in 2023 was RMB1,425,581,800, including a main business revenue of RMB1,409,887,000, accounting for 98.90%. The main business revenue is mainly from software development and service, system integration, data processing service and information professional service

We identified main business revenue recognition as a key audit matter because revenue is one of the key performance indicators of Capinfo, which may have inherent risks that the management may manipulate revenue recognition to meet specific targets or expectations, and whether the revenue is recognized in the appropriate financial statement period may potentially lead to misstatements.

Auditors' Report

2. Audit procedures

Our audit procedures for main business revenue recognition mainly included the following aspects:

- (1) Understanding and evaluating the design of key internal controls in relation to the management of Capinfo (the "Management") and main business revenue recognition, and testing the operating effectiveness of key control processes;
- (2) Reviewing the revenue-related contracts of different types to understand and evaluate the policies of main business revenue recognition for different businesses of Capinfo, and evaluate whether the accounting policies of main business revenue recognition applied by the Management are in compliance with the requirements of Accounting Standards for Business Enterprises, and whether they are consistent with the actual situation of Capinfo;
- (3) Analyzing the changes in revenue from the main business and gross profit margin of the main business to determine whether it has abnormal fluctuations;
- (4) Examining the supporting documents in relation to main business revenue recognition on sampling basis, such as contracts, acceptance reports, sales invoices and sales receipts, and verifying the truthfulness of the main business revenue;
- (5) Testing the accuracy of recognition of revenue from the main business by recalculation of duration of service and progress of contract fulfilment on sampling basis;
- (6) Externally confirming the contract amount, settlement amount and the situations of the technical project inspection on sampling basis;
- (7) For revenue from the main business recognized on or around the balance sheet date, verifying supporting evidence such as contracts, acceptance reports and invoices on sampling basis to access whether the revenue from main business is recognized in an appropriate period.

Auditors' Report

(II) Provision for credit impairment loss on accounts receivable

For details of relevant information disclosure, please refer to Note III (10) and Note V (3) of the Financial Statements.

1. Description of matters

As of 31 December 2023, the accounts receivable balance of Capinfo was RMB656,305,700, and the balance of the allowance for bad debts from accounts receivable was RMB192,943,800. For accounts receivable, the management classifies business segments with identical credit risk characteristics into the same portfolio, measures loss allowance based on expected credit losses, and the key assumptions involved include historical credit losses and expected future economic conditions.

As the key assumptions used in determining the expected credit losses on accounts receivable involve significant judgment, we have identified the provision for credit impairment loss on accounts receivable as a key audit matter.

2. Audit procedures

Audit procedures we performed on the provision for credit impairment loss on accounts receivable mainly included the following aspects:

- (1) Evaluate and test the effectiveness of the design and implementation of internal controls relevant to credit impairment losses on accounts receivable, including the management's internal controls over reviewing, assessing and determining the classification of the portfolio of accounts receivable and the key assumptions used;
- (2) For accounts receivable assessed based on individual amounts, review the basis used by the management for assessing the expected credit losses based on factors such as the customer's financial condition, repayment records and projections of future economic conditions;
- (3) For accounts receivable on which credit losses are expected based on the portfolio of credit risk characteristics, review the reasonableness of management's portfolio division, and estimate the expected credit loss rate based on historical credit loss experience and taking into account current conditions and projections of future economic conditions;

Auditors' Report

- (4) Comparing the amount of provision for bad debts in previous years with the actual amount of bad debts incurred, and evaluate the adequacy of the provision for expected credit losses on accounts receivable in conjunction with recovery checks after accounts receivable period;
- (5) Select samples to confirm the balance of the accounts receivable.

IV. ADDITIONAL INFORMATION

The management of Capinfo is responsible for the other information. The other information comprises all the information included in the Annual Report of 2023, 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. RESPONSIBILITIES OF CPA FOR AUDITING FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing an audit opinion. Reasonable assurance is a high level of assurance, but it does not provide assurance that an audit performed in accordance with auditing standards will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are generally considered to be material if there is a reasonable expectation that, individually or in the aggregate, the misstatement could have affected the economic decisions made by users of the financial statements based on the financial statements.

In performing our audit in accordance with auditing standards, we use professional judgment and maintain professional skepticism. At the same time, we perform the following tasks:

- (1) We identified and evaluated the risks of material misstatement caused by fraud or error, designed and implemented proper audit procedures to deal with these risks, and obtained sufficient and appropriate audit evidence as the basis for audit opinions. The risk of failure to detect a material misstatement due to fraud is higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control.
- (2) We tried to understand the audit-related internal control, so as to design proper audit procedures rather than provide opinions on the effectiveness of the internal control.
- (3) We evaluated the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures.
- (4) We drew conclusions about the appropriateness of the management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding matters or circumstances that may cast significant doubt on the ability of Capinfo to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the financial statements to the relevant disclosures in the audit report; if the disclosures are not adequate, we shall express a non-unqualified opinion. Our conclusion is based on information available to us as of the date of our audit report. However, future events or circumstances may cause Capinfo to be unable to continue as a going concern.
- (5) We evaluated the overall presentation, structure and contents of the financial statements and judged if the financial statements fairly reflected the relevant transactions and events.

Auditors' Report

- (6) We obtained sufficient and appropriate audit evidence about the financial information of the entities or business activities in Capinfo to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits and accept full responsibility for audit observations.

We communicate with the governance team on matters such as planned audit scope, timing, and significant audit findings, including communication of internal control deficiencies of concern identified during our audit.

We also provide a statement to the governance team regarding compliance with ethical requirements related to independence and communicate with the governance team about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with the governance team, we determined which matters were most significant to the audit of the financial statements for the period and therefore constituted key audit matters. We describe these matters in our auditor's report except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine that we shall not communicate a matter in our auditor's report if we reasonably expect that the negative consequences of communicating it in our auditor's report would outweigh the benefits in the public interest.

Grant Thornton LLP
(special general partnership)

Chinese Certified Public Accountant Liang Yinan
(Engagement Partner)

Chinese Certified Public Accountant Zhang Qiuling

Beijing, China

28 March 2024

CONSOLIDATED AND COMPANY BALANCE SHEETS

31 December 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Item	Note	Balance as at the end of the period		Balance at the end of the previous year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary funds	V1	814,097,620.53	245,284,066.62	923,417,020.76	370,969,186.58
Held-for-trading financial assets					
Notes receivable	V2	76,620.81		58,293.75	
Accounts receivable	V3	463,361,943.70	238,495,639.76	452,027,020.14	275,563,324.89
Receivables financing					
Prepayments	V4	64,397,788.90	39,077,678.94	75,130,905.31	71,950,398.87
Other receivables	V5	73,564,280.38	85,989,146.40	66,761,546.95	83,477,166.61
Of which: Interest receivable					
Dividends receivable					
Inventory	V6	121,049,721.55	79,892,018.55	217,310,713.94	148,643,245.13
Contract assets	V7	24,452,746.54	5,442,691.87	25,335,457.12	6,076,842.24
Assets held for sales	V8	30,257,681.13	30,257,681.13		
Non-current assets due within one year					
Other current assets	V9	1,137,871.39	367,745.71	1,954,319.76	1,778,795.59
Total current assets		1,592,396,274.93	724,806,668.98	1,761,995,277.73	958,458,959.91
Non-current assets:					
Debt investment					
Other debt investments					
Long-term receivables					
Long-term equity investment	V10	237,082,620.23	427,464,768.19	246,553,157.19	436,935,303.04
Investment in other equity instruments	V11				
Other non-current financial assets	V12	51,300,941.47	51,300,941.47	37,133,667.59	37,133,667.59
Investment properties	V13	19,327,556.00	19,327,556.00	22,948,130.72	22,948,130.72
Fixed assets	V14	125,554,131.98	77,355,421.24	136,104,319.03	127,453,627.56
Construction in progress					
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V15	27,069,182.55	16,887,895.29	31,784,060.40	26,235,606.99
Intangible assets	V16	162,751,298.53	147,468,730.49	46,720,998.23	36,233,309.09
Development expenditures	V17	63,112,867.93	63,112,867.93	78,642,530.16	73,081,048.08
Goodwill					
Long-term unamortized expenses	V19	7,759,096.20	7,672,180.43	13,194,805.16	13,090,211.59
Deferred income tax assets	V20	103,816,826.47	55,984,662.03	67,817,049.32	26,776,164.80
Other non-current assets	V21	106,652,602.74	106,652,602.74	103,102,602.74	103,102,602.74
Total non-current assets		904,427,124.10	973,227,625.81	784,001,320.54	902,989,672.20
Total assets		2,496,823,399.03	1,698,034,294.79	2,545,996,598.27	1,861,448,632.11

Consolidated and Company Balance Sheets

31 December 2023

Item	Note	Balance as at the end of the period		Balance at the end of the previous year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings					
Held-for-trading financial liabilities					
Notes payable	V23	1,669,827.20			
Accounts payable	V24	398,969,828.62	172,502,780.57	348,072,086.81	217,114,189.34
Advances from customers					
Contract liabilities	V25	315,570,239.61	170,406,117.18	335,630,190.76	183,081,287.50
Payroll payable	V26	93,476,126.63	44,889,711.29	98,526,115.17	61,977,745.56
Tax payable	V27	38,906,832.96	5,401,014.57	53,200,129.74	6,534,895.35
Other payables	V28	349,845,189.48	149,297,658.91	292,583,177.67	122,788,856.99
Including: interest payable					
Dividends payable					
Held-for-sales liabilities					
Non-current liabilities due within one year	V29	63,536,275.58	60,577,074.98	83,229,021.20	79,242,998.78
Other current liabilities					
Total current liabilities		1,261,974,320.08	603,074,357.50	1,211,240,721.35	670,739,973.52
Non-current liabilities:					
Long-term borrowings					
Bonds payable					
Of which: Preferred shares					
Perpetual bonds					
Lease liabilities	V30	19,197,462.75	11,677,788.90	3,575,081.98	2,222,020.61
Long-term payables					
Long-term employee benefits payable					
Estimated liabilities					
Deferred income	V31	254,273.51	254,273.51	1,826,923.08	326,923.08
Deferred income tax liabilities	V20	12,584,587.33	2,807,335.03	8,066,910.70	4,951,976.00
Other non-current liabilities					
Total non-current liabilities		32,036,323.59	14,739,397.44	13,468,915.76	7,500,919.69
Total liabilities		1,294,010,643.67	617,813,754.94	1,224,709,637.11	678,240,893.21

Consolidated and Company Balance Sheets

31 December 2023

Item	Note	Balance as at the end of the period		Balance at the end of the previous year	
		Consolidated	Company	Consolidated	Company
Share capital	V32	289,808,609.10	289,808,609.10	289,808,609.10	289,808,609.10
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserves	V33	304,991,645.96	299,547,086.61	299,080,451.37	293,635,892.02
Less: treasury shares					
Other comprehensive income	V34	-8,443,166.86	-8,443,166.86	-8,443,166.86	-8,443,166.86
Special reserves					
Surplus reserves	V35	129,525,384.77	116,260,810.90	129,525,384.77	116,260,810.90
Undistributed profit	V36	429,068,885.33	383,047,200.10	552,691,825.04	491,945,593.74
Total equity attributable to shareholders					
of the parent company		1,144,951,358.30	1,080,220,539.85	1,262,663,103.42	1,183,207,738.90
Minority interests		57,861,397.06		58,623,857.74	
Total shareholder's equity		1,202,812,755.36	1,080,220,539.85	1,321,286,961.16	1,183,207,738.90
Total liabilities and shareholder's equity		2,496,823,399.03	1,698,034,294.79	2,545,996,598.27	1,861,448,632.11

Legal representative:
Yu Donghui

Person in charge of accounting:
Du Xiaoling

Person in charge of the
accounting department:
Jia Ruixin

CONSOLIDATED AND COMPANY INCOME STATEMENTS

Year 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Item	Note	Amount incurred in the current period		Amount incurred in the previous period	
		Consolidated	Company	Consolidated	Company
I. Operating revenue	V37	1,425,581,774.41	592,365,249.14	1,422,953,747.26	686,598,873.77
Less: operating costs	V37	1,026,537,902.00	394,762,055.52	889,550,905.46	359,565,815.33
Taxes and surcharges	V38	4,945,875.70	2,342,579.16	6,777,553.61	3,343,689.22
Selling expenses	V39	111,011,501.44	77,203,008.15	118,392,324.02	80,125,840.83
Administrative expenses	V40	165,336,128.83	97,929,140.77	136,153,542.05	85,481,483.70
Research and development expenses	V41	134,576,665.42	62,220,143.51	137,294,867.10	77,822,890.94
Financial expenses	V42	-10,022,094.04	-3,751,261.42	-16,226,264.07	-5,571,527.40
Including: interest expense		950,719.01	744,065.59	2,365,032.94	2,108,383.80
Interest revenue		10,397,426.77	4,867,881.67	13,438,693.53	7,769,708.16
Plus: other income	V43	2,601,915.11	310,592.84	9,405,312.83	8,245,335.91
Investment income (loss is indicated with "-")	V44	-6,505,500.95	22,164,156.07	28,370,315.26	44,734,071.40
Including: income from investment in associates and joint ventures		-12,383,797.64	-12,383,797.64	24,252,514.81	24,252,514.81
Income from derecognition of financial assets at amortized cost (loss is indicated with "-")					
Net exposure hedging income (loss is indicated with "-")					
Income from change of fair value (loss is indicated with "-")	V45	1,532,437.34	1,532,437.34	3,803,187.24	3,803,187.24
Credit impairment losses (loss is indicated with "-")	V46	-4,347,767.97	-10,664,996.52	-32,047,693.63	-20,277,255.27
Asset impairment losses (loss is indicated with "-")	V47	-71,065,461.71	-58,853,026.30	463,466.98	422,315.82
Income from disposal of assets (loss is indicated with "-")	V48	-5,832,369.74	-5,832,369.74	14,795.59	
II. Operating profit (loss is indicated with "-")		-90,420,952.86	-89,683,622.86	161,020,203.36	122,758,336.25
Add: non-operating income	V49	190,503.97	160,502.67	12,861.93	19.42
Less: non-operating expenses	V50	3,766.28	43.48	316,146.27	206,218.88

Consolidated and Company Income Statements

Year 2023

Item	Note	Amount incurred in the current period		Amount incurred in the previous period	
		Consolidated	Company	Consolidated	Company
III. Total profit (total loss is indicated with "-")		-90,234,215.17	-89,523,163.67	160,716,919.02	122,552,136.79
Less: income tax expenses	V51	-28,142,161.34	-31,341,276.62	20,012,270.59	12,543,932.60
IV. Net profit (net loss is indicated with "-")		-62,092,053.83	-58,181,887.05	140,704,648.43	110,008,204.19
(I) Classified by operating continuity:					
Including: net profit from continuing operations (net loss is indicated with "-")		-62,092,053.83	-58,181,887.05	140,704,648.43	110,008,204.19
Net profit from discontinuing operations (net loss is indicated with "-")					
(II) Classified by ownership:					
Including: net profit attributable to shareholders of the parent company (net loss is indicated with "-")		-72,906,433.12	-79,740,548.07	128,591,326.60	110,008,204.19
Minority interests (net loss is indicated with "-")		10,814,379.29		12,113,321.83	
V. Other comprehensive income, net of tax					
Other comprehensive income net of tax attributable to shareholders of parent company					
Other comprehensive income attributable to minority interests, net of tax					
VI. Total comprehensive income		-62,092,053.83	-58,181,887.05	140,704,648.43	110,008,204.19
Total comprehensive income attributable to owners of the parent company		-72,906,433.12	-58,181,887.05	128,591,326.60	110,008,204.19
Total comprehensive income attributable to minority interest		10,814,379.29		12,113,321.83	
VII. Earnings per share					
(I) Basic earnings per share		-0.025		0.044	
(II) Diluted earnings per share					

Legal representative:
Yu Donghui

Person in charge of accounting:
Du Xiaoling

Person in charge of the
accounting department:
Jia Ruixin

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

Year 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Item	Note	Amount incurred in the current period		Amount incurred in the previous period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:					
Cash received from sales of goods or rendering of services		1,500,692,005.36	653,061,897.36	1,395,664,368.79	605,726,308.43
Tax refunds received				3,354,684.23	3,160,323.05
Other cash receipts related to operating activities		11,617,196.28	13,789,808.14	35,887,446.61	36,535,909.76
Sub-total of cash inflows from operating activities		1,512,309,201.64	666,851,705.50	1,434,906,499.63	645,422,541.24
Cash paid for goods purchased and services received		720,360,465.83	294,279,835.78	691,829,199.93	367,393,579.17
Cash paid to and on behalf of employees		449,444,476.54	244,021,662.32	440,698,079.33	231,742,934.83
Taxes and surcharges payments		41,763,194.44	8,144,060.51	50,544,014.66	13,654,101.51
Other cash paid relating to operating activities		75,627,818.44	42,915,337.72	47,793,857.15	29,604,159.37
Sub-total of cash outflows from operating activities		1,287,195,955.25	589,360,896.33	1,230,865,151.07	642,394,774.88
Net cash flow from operating activities		225,113,246.39	77,490,809.17	204,041,348.56	3,027,766.36
II. Cash flows from investing activities:					
Cash received from investments		11,645,163.46	11,645,163.46	2,000,000.00	2,000,000.00
Cash received from return on investments		4,995,470.00	33,665,124.91	5,737,590.81	22,101,346.95
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets					
Net cash received from disposal of subsidiaries and other business units		330,760.60	330,760.60		
Other cash received relating to investing activities					
Sub-total of cash inflows from investing activities		16,971,394.06	45,641,048.97	7,737,590.81	24,101,346.95
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		255,483,904.96	164,494,077.62	168,485,301.18	150,084,599.71
Cash paid for investments		24,280,000.00	24,280,000.00	19,530,480.35	19,530,480.35
Net cash paid for acquisition of subsidiaries and other business units					
Other cash paid relating to investing activities				100,000,000.00	100,000,000.00
Sub-total of cash outflows from investing activities		279,763,904.96	188,774,077.62	288,015,781.53	269,615,080.06
Net cash flows from investing activities		-262,792,510.90	-143,133,028.65	-280,278,190.72	-245,513,733.11

Consolidated and Company Cash Flow Statements

Year 2023

Item	Note	Amount incurred in the current period		Amount incurred in the previous period	
		Consolidated	Company	Consolidated	Company
III. Cash flows from financing activities:					
Cash received from absorption of investments					
Including: cash received from subsidiaries absorbing investments from minority shareholders					
Cash received from borrowings					
Cash receipts from issuance of bonds					
Other cash received relating to financing activities					
Sub-total of cash inflows from financing activities					
Cash paid for debt repayment					
Cash paid for distributing dividends and profits or paying interests		61,230,043.37	49,653,203.40	32,325,096.43	8,344,812.15
Including: dividends and profits paid to minority shareholders by subsidiaries					
Other cash payments relating to financing activities		30,099,560.53	25,917,366.58	32,712,851.84	28,840,631.00
Sub-total of cash outflows from financing activities		91,329,603.90	75,570,569.98	65,037,948.27	37,185,443.15
Net cash flow from financing activities		-91,329,603.90	-75,570,569.98	-65,037,948.27	-37,185,443.15
IV. Effect of changes in exchange rate on cash and cash equivalents		764,451.61	-285,725.43	5,265,480.16	-25,312.20
V. Net increase in cash and cash equivalents		-128,244,416.80	-141,498,514.89	-136,009,310.27	-279,696,722.10
Add: cash and cash equivalents at the beginning of period		901,387,759.73	362,563,239.36	1,037,397,070.00	642,259,961.46
VI. Balance of cash and cash equivalents at the end of period		773,143,342.93	221,064,724.47	901,387,759.73	362,563,239.36

Legal representative:
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 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Item	Amount incurred in the current period											Total shareholders' equity	
	Equity attributable to shareholders of the parent company												
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Undistributed profit		Minority interests
I. Balance at the end of the previous year	289,808,609.10				299,080,451.37		-8,443,166.86		129,525,384.77		552,691,825.04	58,623,857.74	1,321,286,961.16
Add: changes in accounting policies													
Correction of errors in the prior period													
Business combination under common control													
Others													
II. Balance at the beginning of the year	289,808,609.10				299,080,451.37		-8,443,166.86		129,525,384.77		552,691,825.04	58,623,857.74	1,321,286,961.16
III. Increase/decrease for the year ("-" for decrease)					5,911,194.59						-123,622,939.71	-762,460.68	-118,474,205.80
(I) Total comprehensive income											-72,906,433.12	10,814,379.29	-62,092,053.83
(II) Shareholder's contributions and withdrawals of capital													
1. Ordinary shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment credited to shareholder's equity													
4. Others													
(III) Profit distribution													
1. Withdrawal of surplus reserve													
2. Distributions to shareholders													
3. Others													
(IV) Internal carryover of shareholders' equity													
1. Conversion of capital reserve to share capital													
2. Conversion of surplus reserve to share capital													
3. Covering loss with surplus reserve													
4. Change of defined benefit plan carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserves													
1. Withdrawal during the period													
2. Used during the period (presented with "-")													
(VI) Others					5,911,194.59								5,911,194.59
IV. Balance at the end of the year	289,808,609.10				304,991,645.96		-8,443,166.86		129,525,384.77		429,068,885.33	57,861,397.06	1,202,812,755.36

Legal representative:
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 2023

Item	Amount incurred in the previous period											Total shareholders' equity	
	Equity attributable to shareholders of the parent company										Minority interests		
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision			Undistributed profit
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of the previous 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
Add: changes in accounting policies									-344.64		-3,101.79	-23,152.51	-26,598.94
Correction of errors in the prior period													
Business combination under common control													
Others													
II. Balance at the beginning of the year	289,808,609.10				298,879,714.63		-8,443,166.86		118,524,564.33		443,446,131.03	46,510,535.91	1,188,726,388.14
III. Increase/decrease for the year ("-" for decrease)					200,736.74				11,000,820.44		109,245,694.01	12,113,321.83	132,560,573.02
(I) Total comprehensive income											128,591,326.60	12,113,321.83	140,704,648.43
(II) Shareholder's contributions and withdrawals of capital													
1. Ordinary shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment credited to shareholder's equity													
4. Others													
(III) Profit distribution									11,000,820.44		-19,345,632.59		-8,344,812.15
1. Withdrawal of surplus reserve									11,000,820.44		-11,000,820.44		
2. Distributions to shareholders											-8,344,812.15		-8,344,812.15
3. Others													
(IV) Internal carryover of shareholders' equity													
1. Conversion of capital reserve to share capital													
2. Conversion of surplus reserve to share capital													
3. Covering loss with surplus reserve													
4. Change of defined benefit plan carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserves													
1. Withdrawal during the period													
2. Used during the period (presented with "-")													
(VI) Others					200,736.74								200,736.74
IV. Balance at the end of the year	289,808,609.10				299,080,451.37		-8,443,166.86		129,525,384.77		552,691,825.04	58,623,857.74	1,321,286,961.16

Legal representative:
Yu Donghui

Person in charge of accounting:
Du Xiaoling

Person in charge of the
accounting department:
Jia Ruixin

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Item	Amount incurred in the current period										Total shareholder's equity
	Other equity instruments				Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	
	Share capital	Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	289,808,609.10				293,635,892.02		-8,443,166.86		116,260,810.90	491,945,593.74	1,183,207,738.90
Add: changes in accounting policies											
Correction of errors in the prior period											
Others											
II. Balance at the beginning of the year	289,808,609.10				293,635,892.02		-8,443,166.86		116,260,810.90	491,945,593.74	1,183,207,738.90
III. Increase/decrease for the year ("-" for decrease)					5,911,194.59					-108,898,393.64	-102,987,199.05
(I) Total comprehensive income										-58,181,887.05	-58,181,887.05
(II) Shareholder's contributions and withdrawals of capital											
1. Ordinary shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment credited to shareholder's equity											
4. Others											
(III) Profit distribution										-50,716,506.59	-50,716,506.59
1. Withdrawal of surplus reserve											
2. Distributions to shareholders										-50,716,506.59	-50,716,506.59
3. Others											
(IV) Internal carryover of shareholders' equity											
1. Conversion of capital reserve to share capital											
2. Conversion of surplus reserve to share capital											
3. Covering loss with surplus reserve											
4. Change of defined benefit plan carried forward to retained earning											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal during the period											
2. Used during the period (presented with "-")											
(VI) Others					5,911,194.59						5,911,194.59
IV. Balance at the end of the year	289,808,609.10				299,547,086.61		-8,443,166.86		116,260,810.90	383,047,200.10	1,080,220,539.85

Legal representative:
Yu Donghui

Person in charge of accounting:
Du Xiaoling

Person in charge of the
accounting department:
Jia Ruixin

Statement of Changes in Shareholders' Equity

Year 2023

Item	Amount incurred in the previous period											
	Other equity instruments				Capital reserves	Less:			Surplus reserves	Undistributed profit	Total shareholder's equity	
	Share capital	Preferred shares	Perpetual bonds	Other		treasury shares	Other comprehensive income	Special reserves				
I. Balance at the end of the previous year	289,808,609.10				293,435,155.28				105,254,601.45	401,234,521.03	1,081,289,720.00	
Add: changes in accounting policies									5,389.01	48,501.11	53,890.12	
Correction of errors in the prior period												
Others												
II. Balance at the beginning of the year	289,808,609.10				293,435,155.28				105,259,990.46	401,283,022.14	1,081,343,610.12	
III. Increase/decrease for the year ("-" for decrease)					200,736.74				11,000,820.44	90,662,571.60	101,864,128.78	
(I) Total comprehensive income										110,008,204.19	110,008,204.19	
(II) Shareholder's contributions and withdrawals of capital												
1. Ordinary shares invested by shareholders												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment credited to shareholder's equity												
4. Others												
(III) Profit distribution									11,000,820.44	-19,345,632.59	-8,344,812.15	
1. Withdrawal of surplus reserve									11,000,820.44	-11,000,820.44		
2. Distributions to shareholders										-8,344,812.15	-8,344,812.15	
3. Others												
(IV) Internal carryover of shareholders' equity												
1. Conversion of capital reserve to share capital												
2. Conversion of surplus reserve to share capital												
3. Covering loss with surplus reserve												
4. Change of defined benefit plan carried forward to retained earning												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Withdrawal during the period												
2. Used during the period (presented with "-")												
(VI) Others					200,736.74						200,736.74	
IV. Balance at the end of the year	289,808,609.10				293,635,892.02				-8,443,166.86	116,260,810.90	491,945,593.74	1,183,207,738.90

Legal representative:
Yu Donghui

Person in charge of accounting:
Du Xiaoling

Person in charge of the
accounting department:
Jia Ruixin

NOTES TO THE FINANCIAL STATEMENTS

Year 2023 (All amounts in RMB unless otherwise stated)

I. PROFILE OF THE COMPANY

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 unified social credit code is 911100006336972074. All H shares issued by the Company have been listed for trading on Hong Kong Stock Exchange. The registered address of the Company is 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, and formed an organizational structure comprising of three major sectors: business front-office, technical middle-office, and management back office. The business front-office consists of four mature business divisions (Social Security Division, Housing Provident Fund Division, Organization Division and Governance Division), two key departments (Business Development Department and Network Business Department) and coverage expansion. The technical middle-office consists of five centers (Product Center, Network Center, Innovation Center, Big Data Center and Operation Center) and two departments (Technical Management Department and Comprehensive Management Department). The management back-office consists of fourteen functional departments. The Company has fourteen branches, namely Beijing Yanqing Branch, Shunyi Branch, Daxing Branch, Tongzhou Branch, Dongcheng Branch, Guangzhou Branch, Chongqing Branch, Hebei Xiong'an Branch, Shanghai Hengyue Information Service branch, Hubei branch, Hebei branch, Jilin branch, Inner Mongolia Autonomous Region branch and Xinjiang branch.

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; technical development, technical consulting, technical service and technical training of network interconnection, computer equipment, hardware and software products as well as 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; sale agency of entrance tickets.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

I. PROFILE OF THE COMPANY (continued)

1. Company profile (continued)

The financial statements and notes to the financial statements have been approved on 28 March 2024 by the Board of Directors of the Company.

2. Scope of consolidated 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. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the "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 ("MOF").

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 adopted historical cost as the measurement basis. In case of any asset impairment, impairment provision shall be made according to the relevant provisions.

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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the depreciation of fixed assets, amortization of intangible assets, capitalization conditions of research and development expenses, and revenue recognition policies based on its own production and operation characteristics. Details about accounting policies are set out in Note III.16, Note III.19, Note III.20 and Note III.25.

1. Statement of compliance with the accounting standards for business enterprises

The financial statements are in compliance with the requirement of the Accounting Standards for Business Enterprises, and have reflected truly and completely such relevant information of the Group as the consolidated and the Company financial conditions as at 31 December 2023 as well as the consolidated and the Company operating results and combined cash flows for 2023.

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 Company is 12 months.

4. Functional currency

The Company and its domestic subsidiaries use CHINA YUAN as the functional currency. The Company's foreign subsidiaries determine to use CHINA YUAN as their functional currencies based on the currency of the primary economic environment in which they operate. The currency used by the Group in preparing this financial statements is CHINA YUAN.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Determination of materiality criteria and basis for selection

Item	Materiality criteria
Material accounts receivable with provision for bad debts on individual basis	Accounts receivable with a single amount of more than RMB4 million
Prepayments aged over 1 year with material amount	Prepayments aged over 1 year with a single amount of more than RMB4 million
Material accounts payable aged over 1 year	Accounts payable aged over 1 year with a single amount of more than RMB4 million
Material contract liabilities aged over 1 year	Contract liabilities aged over 1 year with a single amount of more than RMB4 million
Material other payable aged over 1 year	Other payable aged over 1 year with a single amount of more than RMB4 million
Material capitalized R&D Projects	Project with a current period increase or ending balance of more than RMB10 million
Material non-wholly owned subsidiaries	Non-wholly owned subsidiary with a total revenue or total assets accounting for more than 15% of the Group's total revenue or total assets
Material associates	Book value accounting for more than 5% of the total assets in the consolidated statements, or investment income from the associate (losses are calculated on an absolute basis) accounting for more than 10% of the net profit in the consolidated statement

6. Accounting treatments for business combinations involving entities under and not under common control

(1) Business combinations involving entities under common control

For the business combinations involving entities under common control, the assets and liabilities that are obtained in the business combinations shall be measured at their original carrying amounts in the consolidated financial statements at the combination date as recorded by the combined party. 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Accounting treatments for business combinations involving entities under and not under common control (continued)

(1) Business combinations involving entities under common control (continued)

Business combinations involving entities under common control realized step by step through multiple transactions

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 in the consolidated financial statements 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.

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value in the consolidated financial statements as recorded by the enterprise at combination date. 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, other comprehensive income and other change of owners' equity between the later of the acquisition date and the date on which the combination party and the party being combined under common control and the combination date shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

(2) Business combinations involving entities not under common control

For the business combinations involving entities not under common control, the merger cost shall be fair value of the assets paid, liabilities incurred or assumed or the equity securities on the date of acquisition for the control of the acquiree. On the date of acquisition, the acquired assets, liabilities and contingent liabilities of the acquiree shall be recognized at fair value.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Accounting treatments for business combinations involving entities under and not under common control (continued)

(2) Business combinations involving entities not under common control (continued)

The excess of the merger costs over the fair value of the identifiable net assets acquired is recognized as goodwill, and subsequent measurement shall be carried out at cost minus the accumulated impairment provision; the shortfall of the merger costs below the fair value of the identifiable net assets acquired at the date of acquisition shall be included in the current profit and loss after review.

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.

Business combinations involving entities not under common control realized step by step through multiple transactions

In the separate financial statements, the sum of the book value of the equity investment in the acquiree held prior to the date of acquisition and the additional investment cost incurred on the date of acquisition shall be recognized as the initial investment cost of the investment. Other comprehensive income recognized by the equity method for equity investment held prior to the date of acquisition shall not be treated on the date of acquisition. Accounting treatment shall be carried out using the same basis as adopted by the invested entity to directly dispose of the relevant assets or liabilities upon the disposal of the investment; the owners' equity recognized due to the other changes to the owners' equity of the invested entity, other than the net profit and loss, other comprehensive income and profit distribution, shall be transferred to current profit and loss in the period when the investment is disposed of. 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Accounting treatments for business combinations involving entities under and not under common control (continued)

(2) Business combinations involving entities not under common control (continued)

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) Treatment of relevant transaction expenses in the business combinations

The intermediary fees (including audit, legal service, evaluation and consultation fees) and other relevant overheads incurred for business combination shall be included in the current profit and loss when they are incurred. Transaction fees of equity securities or debt securities issued as consideration for business combination shall be included in the initially recognized amount of equity securities or debt securities.

7. Criteria for determining the existence of control and preparation of the consolidated financial statements

(1) Criteria for determining the existence of control

The scope of consolidation shall be determined based on the concept of control. Control refers to the Company's power over the investee, variable returns arising from its participation in the investee's relevant activities, and the ability to affect the amount of such returns by using its power over the investee. When changes in relevant facts and circumstances lead to changes in the relevant elements involved in the definition of control, the Company will conduct a reassessment.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Criteria for determining the existence of control and preparation of the consolidated financial statements (continued)

(1) Criteria for determining the existence of control (continued)

In determining whether to include a structured entity in the scope of consolidation, the Company assesses whether it has control over the structured entity based on all the facts and circumstances, including an assessment of the purpose for which the structured entity was established and its design, an identification of the type of variable returns, and whether it has assumed some or all of the variability of the returns through its participation in its related activities.

(2) Preparation of the consolidated financial statements

The consolidated financial statements shall be prepared by the Company on the basis of the financial statements of the Company and the subsidiaries and according to other relevant information. When preparing consolidated financial statements, the accounting policies and accounting period requirements of the Company and its subsidiaries shall be consistent, and major transactions and balances between companies shall be offset.

During the reporting period, the subsidiaries and businesses added due to the business combinations involving entities under common control are deemed to be included in the Company's consolidation scope from the date they are controlled by the ultimate controlling party. The operating results and cash flows from the date they are controlled by the ultimate controlling party shall be included in the consolidated income statement and consolidated cash flow statement.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Criteria for determining the existence of control and preparation of the consolidated financial statements (continued)

(2) Preparation of the consolidated financial statements (continued)

During the reporting period, if subsidiaries and businesses are added due to the business combinations involving entities not under common control, the income, expense and profit of the relevant subsidiaries and businesses from the date of acquisition to the end of the reporting period shall be included into the consolidated income statement, and the cash flow shall be included into the consolidated cash flow statement.

The portion of a subsidiary's equity not attributable to the Company is recognized as minority interests, which is presented separately under shareholders' equity in the consolidated balance sheet. A subsidiary's net profit and loss for the period attributable to minority interests is presented as "profit or loss of minority interests" under net profit in the consolidated income statement. When the amount of a subsidiary's loss attributable to the minority shareholders exceeds the minority shareholders' share in the opening balance of owners' equity of the subsidiary, the excess is deducted from the minority interests.

(3) Acquisition of minority shareholders' equity in subsidiary

The difference between the additional long-term equity investment cost arising from the acquisition of minority equity and the net assets of the subsidiary attributable to the Company, which is calculated according to the new holding proportion since the date of acquisition or the date of merger, and if the parent company disposes of part of its equity investment in the subsidiary without losing its control, the difference between the disposal price and the net assets of the subsidiary corresponding to the long-term equity investment disposed of since the date of acquisition or the date of merger shall be covered by adjusting the capital reserve of the consolidated balance sheet; if the capital reserve is not sufficient for write-off, retained earnings shall be adjusted.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Criteria for determining the existence of control and preparation of the consolidated financial statements (continued)

(4) Treatment of loss of control over a subsidiary

If the Company loses the control over the subsidiaries due to the disposal of part of the equity investment or other reasons, the remaining equity shall be re-measured according to its fair value on the date when the control is lost. The balance of the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity less the sum of the share of book value of net assets and good will for the relevant subsidiaries attributable to the Company calculated from the date of acquisition according to the original holding proportion shall be recorded into the investment income for the period covering the date when the control is lost.

Other comprehensive income related to the equity investment in the former subsidiaries shall be accounted for at the time of loss of control on the same basis as if the former subsidiaries had directly disposed of the related assets or liabilities, and other changes in ownership interests related to the former subsidiaries that involve changes under the equity method of accounting shall be transferred to profit or loss in the current period at the time of loss of control.

8. Determination standards for 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. 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.

At the balance sheet date, for monetary items denominated in foreign currencies, the spot exchange rate at the balance sheet date is used for translation. 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.

10. Financial instruments

Financial instruments refer to the contract that forms the financial assets of one party and the financial liabilities or equity instruments of other parties.

(1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

The financial asset shall be derecognized when meeting one of the following conditions:

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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(1) Recognition and derecognition of financial instruments (continued)

A financial liability or part thereof is derecognized when the present obligation of the financial liability is discharged in whole or in part. If the Group (debtor) signs an agreement with the creditor to replace the existing financial liability by undertaking new financial liability, and the contract terms for the new financial liability and the existing financial liability are substantially different, the Group shall derecognize the existing financial liability and recognize the new financial liability.

Purchases and sales of financial assets in the regular way shall be accounted for and derecognized on a trade date basis.

(2) Classification and measurement of financial assets

At the time of initial recognition, the Company divides financial assets into the following three categories based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets are initially recognized at their fair value. For financial assets at fair value through profit or loss, any related transaction costs are charged to profit or loss; for other categories of financial assets, any related transaction costs are included in their initial costs. For accounts receivable arising from the sale of goods or provision of services that do not contain or do not take into account any significant financing component, the amount of consideration that the Group is expected to be entitled to receive shall be the initial recognition amount.

Financial assets at amortized cost

The Company classifies financial assets that meet the following conditions and are not designated as financial assets measured at fair value through profit or loss, as financial assets 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 asset stipulate that the cash flow generated on a particular date is only the payment of the principal and interest based on the outstanding principal amount.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial assets

After the initial recognition, the effective interest rate method shall be used to measure such financial assets at amortized cost. The gains or losses arising from financial assets at amortized cost and that are not part of any hedging relationship shall be included in the current profit and loss when they are derecognized, amortized according to the effective interest method, or recognized as impairment.

Financial assets at fair value through other comprehensive income

Financial assets that simultaneously meet the following conditions and are not designated as financial assets measured at fair value through profit or loss, shall be classified as financial assets at fair value through other comprehensive income:

- The purpose for the business model of the Group to manage the financial assets is to collect the contract cash flow and dispose of the financial assets.
- The contractual terms of the financial asset stipulate that the cash flow generated on a particular date is only the payment of the principal and interest based on the outstanding principal amount.

After the initial recognition, subsequent measurement of such financial assets shall be carried out at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method shall be included in the current profit and loss, and other gains or losses shall be included in other comprehensive income. When the derecognition is implemented, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in the current profit and loss.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Financial assets at fair value through profit or loss

Except for the aforementioned financial assets at amortized cost and at fair value through other comprehensive income, the Group classifies all other financial assets as financial assets at fair value through profit or loss. At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates part of the financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, such financial assets shall be subsequently measured at fair value, and the resulting gains or losses (including interest and dividend income) shall be included in the current profit and loss, unless the financial assets are part of the hedging relationship.

However, for non-trading equity instrument investments, the Group irrevocably designates them as financial assets at fair value through other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment, and the relevant investment meets the definition of an equity instrument from the issuer's perspective.

After the initial recognition, subsequent measurement of such financial assets shall be carried out at fair value. Dividend income that meets the conditions shall be included in profit and loss, and other gains or losses and changes in fair value shall be included in other comprehensive income. When the derecognition is implemented, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in retained earnings.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

The business model of managing financial assets indicates how the Group manages financial assets in order to generate cash flow. The business model determines whether the source of cash flow of the financial assets managed by the Group is to collect contractual cash flows, sell financial assets, or both. The Group determines the business model for managing financial assets based on objective facts and the specific business objectives of managing financial assets determined by key management personnel.

The Group evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only the payment of principal and interest based on the outstanding principal amount. Principal refers to the fair value of financial assets at the time of initial recognition; interest includes consideration for the time value of money, credit risk related to the outstanding principal amount in a specific period, and other basic borrowing risks, costs and profits. In addition, the Group evaluates contract terms that may cause changes in the time distribution or amount of contractual cash flows of financial assets, to determine whether they meet the above-mentioned contractual cash flow characteristics.

Only when the Group changes the business model of managing financial assets, all affected financial assets shall be reclassified on the first day of the first reporting period after the business model is changed, otherwise the financial assets shall not be reclassified after initial recognition.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Classification and measurement of financial liabilities

The Group's financial liabilities are classified at the time of initial recognition as: financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost. For financial liabilities that are not classified as those at fair value through profit or loss, the relevant transaction costs shall be included in the initial recognition amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated as fair value through profit or loss at the initial recognition. For such financial liabilities, subsequent measurement shall be carried out at fair value, and gains or losses arising from changes in fair value and the dividends and interest expenses related to these financial liabilities shall be included in the current profit and loss.

Financial liabilities at amortized cost

Other financial liabilities adopt the effective interest rate method and are subsequently measured at amortized cost. The gains or losses arising from derecognition or amortization shall be included in the current profit and loss.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- 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 a contract that can prove the ownership of remaining equity in the assets of an enterprise after deducting all liabilities.

If the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfill a contractual obligation, the contractual obligation meets the definition of a financial liability.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Distinction between financial liabilities and equity instruments (continued)

If a financial instrument must be settled with or can be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument shall be used as a substitute for cash or other financial assets, or to make the holder of the instrument enjoy the remaining equity in the issuer's assets after deducting all liabilities. If it is the former, the instrument is a financial liability of the Group; if it is the latter, the instrument is an equity instrument of the Group.

(4) Derivative financial instruments and embedded derivative instruments

Derivative financial instruments of the Group are initially measured at the fair value as at the signing date of the derivative transaction contract and subsequently measured at its fair value. Derivative financial instruments with a positive fair value are recognized as an asset, and those with a negative fair value are recognized as a liability. Any gains or losses arising from changes in fair value that do not meet the requirements of hedge accounting shall be directly included in the current profit and loss.

For hybrid instrument that includes embedded derivatives, such as the Master Contract as a financial asset, the hybrid instrument as a whole shall be subject to the relevant regulations on the classification of financial assets. If the Master Contract is not a financial asset, and the hybrid instrument is not measured at fair value through profit or loss for accounting treatment, the embedded derivative instruments do not have a close relationship with the Master Contract in terms of economic characteristics and risks. If a separate instrument, with the same condition as embedded derivative instruments, meets the definition of a derivative instrument, the embedded derivative instruments shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If the embedded derivative instruments cannot be measured separately at the time of acquisition or on the subsequent balance sheet date, the hybrid instrument as a whole shall be designated as a financial asset or financial liability at fair value through profit or loss.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(5) Fair value of financial instruments

The fair value determination method for financial assets and financial liabilities is described in Note III. 11.

(6) Impairment of financial assets

The Group, based on the expected credit loss, conducts impairment accounting treatments on the following items and recognizes the provision for losses:

- Financial assets at amortized cost;
- Debt investments that are measured at fair value through other comprehensive income;
- Contract 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 losses (ECLs)

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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit losses (ECLs) (continued)

The Group calculates the probability-weighted amount of the present value for the difference between the contractual cash flow receivable and the expected cash flow received to confirm expected credit losses considering reasonable and evidence-based information such as relevant past events, current conditions, and forecasts of future economic conditions, and taking the risk of default as the weight.

The Group measures the expected credit losses of financial instruments at different stages separately. If the credit risk of the financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, and 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, and 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.

Expected credit loss for the entire life is the expected credit loss resulting from all possible events of default throughout the expected life of the financial instrument. Future 12-month ECLs are the portion of ECL for the entire life 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).

When expected credit losses are measured, the longest period that the Group needs to consider is the longest contract period for which the Company faces credit risk (including consideration of the option of renewal).

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit losses (ECLs) (continued)

The Group calculates the interest income based on the book balance without deducting the impairment provision and using the actual interest rate of financial instruments that are in the first and second stages and with lower credit risk. For financial instruments in the third stage, interest income is calculated on the basis of their carrying amount less the amortized cost after the provision for impairment and using the effective interest rate.

Notes receivables, accounts receivables and contract assets

For notes and accounts receivables and contract 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.

For an individual financial asset, if the expected credit loss cannot be assessed at a reasonable cost, the Group classifies portfolios for notes and accounts receivables and contract assets based on credit risk characteristics, and measures expected credit losses on portfolios basis. The portfolio shall be determined based on the following items:

A. Notes receivables

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

B. Accounts receivables

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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Notes receivables, accounts receivables and contract assets (continued)

C. Contract assets

- Contract assets portfolio 1: E-Government business
- Contract assets portfolio 2: E-Commerce

For accounts receivable classified into portfolios, the Group calculates the expected credit loss based on historical credit loss experience, current conditions and forecasts of future economic conditions, and through the preparation of a comparison table between the aging of accounts receivable and the expected credit loss rate during the entire lifetime. The aging of accounts receivables is calculated from the date of recognition.

For notes receivable and contract assets classified into portfolios, the Group calculates the expected credit loss based on historical credit loss experience, current conditions and forecasts of future economic conditions, and through the default risk exposure and the expected credit loss rate during the entire lifetime. The aging of notes receivable is calculated from the date of recognition and the aging of contract assets is calculated from the date of recognition.

Other receivables

The Group divides other receivables into certain portfolios based on credit risk characteristics and calculates the expected credit loss on the basis of the portfolios. The portfolios shall be determined based on the following items:

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

For other receivables classified into portfolios, the Group calculates expected credit losses based on the default risk exposure and the expected credit loss rate within the next 12 months or during the entire lifetime. For other receivables which are classified based on age portfolio, the aging is calculated from the date of recognition.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Debt investments, other debt investments

For debt investments and other debt investments, the Group calculates expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or the entire duration, depending on the nature of the investment and the types of counterparties and risk exposures.

Assessment of a significant increase in credit risk

The Group compares the risk of default on the balance sheet date of financial instruments with the risk of default on the date of initial recognition, to determine the relative change in the risk of default during the expected lifetime of financial instruments so as to assess whether the credit risk of financial instruments has increased significantly since initial recognition.

When determining whether the credit risk has increased significantly since initial recognition, the Group considers reasonable and evidence-based information (including forward-looking information) that can be obtained without unnecessary additional costs or efforts. The Group shall consider the following information:

- Failure of the debtor to pay the principal and interest pursuant to the contract deadline;
- A serious deterioration in the external or internal credit rating (if any) of the financial instruments that has occurred or is expected;
- A serious deterioration in the debtor's operating results that has occurred or is expected;
- The existing or anticipated changes in technology, market, economy or legal environment that will have a significant adverse impact on the debtor's ability to repay the Group.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Assessment of a significant increase in credit risk (continued)

According to the nature of financial instruments, the Group assesses whether the credit risk has increased significantly on the basis of individual financial instrument or a combination of financial instruments. When conducting assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue 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.

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

On the balance sheet date, the Group assesses whether financial assets at amortized cost and debt investments at fair value through other comprehensive income have experienced credit impairment. 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:

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- The issuer or debtor has serious financial difficulties;
- The debtor breaches the contract terms, for instance, failing to pay or delaying the payment of interests or the principal;
- Considering the economic or contractual conditions related to the debtor's financial difficulties, the Group gives the debtor concessions that the Group will not make under any other circumstances;
- The debtor will probably become bankrupt or carry out other financial reorganizations;
- The issuer or debtor's financial difficulties have led to the disappearance of the active market for the financial asset.

Presentation of provision for expected credit loss

To reflect changes in the credit risk of financial instruments since initial recognition, the Group re-measures expected credit losses on each balance sheet date, and the resulting increase in provision for loss or the amount reversed shall be included in the current profit and loss as impairment loss or gain. For financial assets at amortized cost, the provision for loss shall be offset against the book value of the financial asset listed in the balance sheet; for debt investments at fair value through other comprehensive income, the Group shall recognize the provision for loss in other comprehensive income, and the book value of the financial asset shall not be offset.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Write-off

If the Group no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, the book balance of the financial asset shall be written off directly. Such write-downs constitute derecognition of the underlying financial assets. This is usually the case when the Group determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written off. However, in accordance with the Group's procedures for collecting due payments, the financial assets that have been written off may still be subject to activities performed.

If a financial asset that has been written down is subsequently recovered, the reversal of the impairment loss is recognized as a gain or loss in the period in which it is recovered.

(7) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to a party (the transferee) other than the issuer of the financial asset.

If substantially all the risks and returns related to the ownership of the financial asset are transferred to the transferee by the Group, the Group shall derecognize the financial asset; if the Group retains substantially all the risks and returns related to the ownership of the financial asset, the Group shall not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and returns related to the ownership of the financial asset, it shall be dealt with respectively in accordance with the circumstances as follows: if the control over the financial assets is abandoned, the financial assets shall be derecognized and the resulting assets and liabilities shall be recognized; if the financial asset is controlled, relevant financial assets shall be recognized according to the extent of its continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(8) Offsetting of financial assets and financial liabilities

If the Group has the statutory right to offset the recognized financial assets and financial liabilities, and the statutory rights are currently enforceable, and the Group plans to settle the financial assets or simultaneously realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities are presented in the balance sheet at the amount after mutual offset. Besides, the financial assets and financial liabilities are separately presented in the balance sheet, and they are not subject to mutual offset.

11. Fair value measurement

Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction occurring on the measurement date.

The Group measures relevant assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities takes place in the major market of relevant assets or liabilities; if there is no major market, the Group shall assume that the transaction will proceed in the market most favorable to the relevant assets or liabilities. The major market (or the most favorable market) is the trading market that the Group can enter on the measurement date. The Group adopts the assumptions used by market participants for maximizing their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities, if there exists an active market, the Group shall adopt the quoted price in the active market to determine their fair values. For financial instruments, if there exists no active market, the Group shall adopt the valuation technique to determine their fair values.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Fair value measurement (continued)

Where a non-financial asset is measured at fair value, consideration is given to the ability of a market participant to generate economic benefits from the use of the asset for its best purpose or the ability to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best purpose.

The Group adopts valuation techniques that are applicable under current circumstances and have sufficient available data and other information support, and prioritizes the use of relevant observable input values. The Group shall use unobservable input values only when observable input values cannot be obtained or are not practicable.

For assets and liabilities that are measured or disclosed at fair value in financial statements, the corresponding fair value level shall be determined based on the lowest level of input value that is important to the fair value measurement as a whole: the first-level input value is unadjusted quotation of the same asset or liability in the active market available on the measurement date; the second-level input value is the directly or indirectly observable input value of relevant asset or liability in addition to the first-level input value; the third-level input value is unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group re-evaluates the assets and liabilities at fair value recognized in the financial statements, to determine whether there is a conversion between the fair value measurement levels.

12. Inventories

(1) Categories of inventories

The inventory of the Group includes costs of contract performance and finished products.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories (continued)

(2) Pricing method for inventory delivery

The Group's inventory is priced at actual cost when it is received. 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.

(3) Basis of determination and method of making provision for inventory impairment

On the balance sheet date, inventories are measured at the lower of cost or net realizable value. Provision for impairment of inventories is made when the net realizable value is lower than the cost.

The net realizable value refers to the estimated selling price of inventories deducted by estimated costs until they are made into finished goods, estimated selling expense and relevant taxes. The determination of the net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

The Group usually makes inventory impairment provision based on one single inventory item. For inventories with large quantities and relatively low unit price, provision for impairment is made according to the type of inventory.

(4) Inventory system

The Group adopts perpetual inventory system.

(5) Amortization method for low-value consumables

The Group adopts the immediate write-off method for amortization when receiving low-value consumables.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Held-for-sale and discontinued operations

- (1) Recognition criteria and accounting treatment of non-current assets or disposal groups held for sale

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 business combination.

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 Company 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Held-for-sale and discontinued operations (continued)

- (1) Recognition criteria and accounting treatment of non-current assets or disposal groups held for sale (continued)

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.

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 affiliate 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 affiliate 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 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Held-for-sale and discontinued operations (continued)

(2) Recognition criteria of discontinued operations

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Company or classified by the Company 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Held-for-sale and discontinued operations (continued)

(3) Presentation (continued)

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.

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.

14. Long-term equity investment

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. Where the Group can exert significant influence on the investee, the investee is an associate of the Group.

(1) Determination of initial investment cost

Long-term equity investment arising from the business combinations involving entities: For the long-term equity investment arising from the business combinations involving entities under common control, the share of the owner's equity of the merged entity in the book value in the consolidated financial statements of the ultimate controlling party as at the date of merger shall be taken as the investment cost; for the long-term equity investment arising from the merger of the enterprises not under common control, the merger cost shall be taken as the investment cost of long-term equity investment.

Long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actual purchase price shall be taken as the initial investment cost; for the long-term equity investment arising from issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investment (continued)

(2) Subsequent measurement and recognition method of profits and losses

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 long-term equity investments subject to accounting with the cost method, in addition to the actual price paid when the investment is acquired or the cash dividends or profits that have been declared but not issued in the consideration, the cash dividends or profit distribution declared by the investee shall be recognized as investment income and included in the current profit and loss.

In the case of equity method accounting, if the initial investment cost of the long-term equity investment is more than its share in the fair value of the identifiable net assets of the invested entity during the investment, the investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than its share in the fair value of the identifiable net assets of the invested entity, the book value of long-term equity investment shall be adjusted, and the difference shall be included in the current profit and loss of the investment.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investment (continued)

(2) Subsequent measurement and recognition method of profits and losses (continued)

In the case of making accounting using the equity method, the Company shall recognize the investment income and other comprehensive income according to the share of the realized net profit and loss and other comprehensive income of the invested entity attributable to the Company, and adjust the book value of the long-term equity investment. The Company shall write down the book value of the long-term equity investment according to share of the profit or cash dividend declared by the invested entity attributable to the Company. Other changes to the owner's equity of the invested entity, other than the net profit and loss, other comprehensive income and profit distribution, shall be used to adjust the book value of the long-term equity investment and included in capital reserve (other capital reserves). When recognizing its share in the net profit and loss of the invested entity, the Company shall recognize it on the basis of the fair value of the identifiable assets of the invested entity when acquiring the investment and after adjusting the net profit of the invested entity in accordance with the Group's accounting policies and accounting period.

If it is possible to exert significant influence on or implement joint control (rather than control) over the investee due to additional investment or other reasons, on the date of conversion, the sum of the fair value of original equity plus the additional investment cost shall be taken as the initial investment cost subject to accounting with the equity method. 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 due to the accounting of the original equity investment with equity method shall be subject to accounting treatment using the same basis as adopted by the invested entity to directly dispose of the relevant assets or liabilities when the equity method is no longer adopted for accounting; other changes to the owner's equity related to the original equity investment shall be transferred to the current profit and loss.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investment (continued)

(2) Subsequent measurement and recognition method of profits and losses (continued)

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.

If the Group's shareholding ratio decreases due to the increase of capital by other investors, thereby the Group loses control over but can exercise joint control or exert significant influence on the investee, the new shareholding ratio shall be used to determine the Company's share in the net assets of the invested entity due to capital ad share increase. The difference between the original book value of the long-term equity investment corresponding to the decline in the shareholding ratio that shall be carried forward shall be included in the current profit and loss; then, the equity method shall be adopted for accounting and adjustment when the investment is acquired based on the new shareholding ratio.

The unrealized profits or losses arising from the intra-group transactions amongst the Group and its associates and joint ventures shall be eliminated in proportion to the Group's equity interest, and then based on which the investment gains or losses are recognized. However, if the unrealized internal transaction loss incurred between the Group and the invested entity belongs to the impairment loss of the transferred asset, it shall not be offset.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investment (continued)

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

Common control means the common control over certain arrangement according to relevant agreements, where the activities of the arrangement can be decided only when all the participants sharing the control reach a consensus. When judging whether there is joint control, firstly determine whether all participants or a group of participants collectively control the arrangement, and then determine whether the decision-making on related activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, it shall be deemed that all participants or a group of participants collectively control the arrangement; if a group of two or more participants collectively control an arrangement, it does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed shall not be considered.

Significant influence means the investor has the power to participate in decision-making for the financial and business policies of the investee, but cannot control or jointly control with other parties over the formulation of such policies. In determining whether significant influence can be exercised over an investee, the investor shall consider its direct or indirect holdings of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee, etc.

When the Group directly or indirectly (through a subsidiary) owns more than 20% (including 20%) but less than 50% of the voting shares of the invested entity, the Company is generally considered to have a significant influence on the invested entity, unless there is clear evidence that the Company cannot participate in the production and operation decision-making of the investee, and does not have a significant influence; when the Group owns less than 20% (excluding 20%) of the voting shares of the investee, the Group is generally not considered to have a significant influence on the investee unless there is clear evidence that the Group can participate in the production and operation decision-making of the invested entity and does have a significant influence.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investment (continued)

(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.13 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.

(5) Method of impairment test and provision for impairment

For the investment in subsidiary, joint venture and associate, the method for making asset impairment provision is set out in Note III. 21.

15. Investment properties

Investment properties refer to the properties held for the purpose of earning rent or capital appreciation, or both. The investment properties of the Group include the leased land use right, the land use right held and to-be-transferred after appreciation and the leased buildings.

The Group's investment properties shall be initially measured at the cost at the time of acquisition, and depreciation provision or amortization shall be made on schedule in accordance with the relevant regulations on fixed assets or intangible assets.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Investment properties (continued)

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. 21.

The difference between proceeds from sale, transfer, retirement or damage of an investment property and its book value and related taxes and expenses shall be included in the current profit and loss.

16. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets of the Group refer to the tangible assets held for producing goods, providing services, renting or operation and administration purposes with useful life of over one accounting year.

A fixed asset is recognized when the economic benefits associated with such fixed asset are likely to flow into the enterprise and the cost of such fixed asset can be reliably measured.

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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Fixed assets (continued)

(2) Depreciation method for various types of fixed assets

The Group adopts equal annual installments 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:

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

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. 21.
- (4) At the end of the year, the Group reviews the useful life, estimated net residual value and depreciation method of fixed assets.

If the estimated useful life is different from the original estimate, the useful life of the fixed asset shall be adjusted; if the expected net residual value is different from the original estimate, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying value and related taxes and expenses is recognized in profit or loss for the current period.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Construction in progress

The cost of construction in process of the Group is determined based on actual project expenditures, including various necessary project expenditures incurred during the construction period, capitalized borrowing costs before the project is ready for its intended use, and other related expenses.

Construction in process is carried forward to fixed assets when it is ready for its intended use.

The method of provision for asset impairment in connection with construction in process is set out in Note III. 21.

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred by the Group can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of relevant assets; other borrowing costs shall be recognized as expenses based on the amount incurred and included in the current profit and loss. The borrowing costs shall be capitalized if meeting the following conditions simultaneously:

- ① Asset expenditures have been incurred, including expenditures arising from paying cash, transferring non-cash assets, or assuming interest-bearing debts for the acquisition and construction or production of assets eligible for capitalization;
- ② Borrowing costs have been incurred;
- ③ The acquisition, construction or production activities necessary for the assets to reach the intended usable or saleable state have begun.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Borrowing costs (continued)

(2) Period of capitalization of borrowing costs

When the assets for the Group's acquisition, construction or production that meet the capitalization conditions reach the intended usable or saleable state, the capitalization of borrowing costs shall be ceased. The borrowing costs incurred after the assets that meet the capitalization conditions reach the intended usable or saleable state, shall be recognized as expenses based on the amount incurred and be included in the current profit and loss.

If the assets that meet the capitalization conditions are interrupted abnormally during the acquisition, construction or production process, and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended; borrowing costs during the normal interruption period shall be continually capitalized.

(3) Capitalization rate of borrowing costs and the method for calculation of capitalized amount

For specific borrowings, the interest expenses actually incurred in the current period less the interest income from the deposit of unused borrowing funds into the bank or the investment income obtained from the temporary investment shall be capitalized; for general borrowings, the amount to be capitalized shall be determined based on the weighted average of the asset expenditure by which accumulated asset expenditure exceeds special borrowings, multiplied by the capitalization rate of the general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

During the capitalization period, the exchange differences of specific borrowings in foreign currencies are all capitalized; the exchange differences of general borrowings in foreign currencies are included in the current profit and loss.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Intangible assets

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

Intangible assets are initially measured at cost, and their useful lives are analyzed and determined at the time of acquisition. Intangible assets with finite useful lives are amortized over their estimated useful lives from the time they become available for use, using an amortization method that reflects the expected realization of economic benefits associated with the asset; if the expected realization cannot be reliably determined, the straight-line method is used; intangible assets with indefinite useful lives are not amortized.

The amortization method for intangible assets with finite useful lives is as follows:

Category	Useful life	Basis for determination of useful life	Amortization method	Remarks
Software	No more than 10 Year	Period over which it is expected to bring economic benefits to the Company	Direct approach	
Customer Relationship	3 years	Period over which it is expected to bring economic benefits to the Company	Direct approach	

At the end of each year, the Group reviews the useful life and amortization method of intangible assets with limited useful lives. If changes occur when compared with the previous estimates, the previous estimates shall be adjusted and the changes shall be treated as those in accounting estimates.

If an intangible asset is no longer expected to provide future economic benefits to the Company at the balance sheet date, the full carrying amount of the intangible asset is transferred to current profit or loss.

The method of provision for impairment of intangible assets is set out in Note III. 21.

20. Research and development expenditure

The Group's research and development expenditure is directly related to the Group's R&D activities, including remuneration for research and development personnel, depreciation and amortization of intangible assets, commissioned external research and development expenses, and other expenses.

The expenditures of the Group's internal research and development projects are divided into expenditures for the research phase and expenditures for the development phase.

Expenditures in the research phase are recognized in the profit and loss for the current period when incurred.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Research and development expenditure (continued)

Expenditures incurred in the development phase will be capitalized if satisfying all of the following criteria: it is technically feasible to complete the intangible asset so that it can be used or sold; it is intended to complete the intangible asset and use or sell it; ways of intangible asset to generate economic benefits, including the ability to prove that there is a market for the products produced by the intangible assets or there is a market for the intangible assets, and the ability to prove their usefulness if the intangible assets will be used internally; sufficient technical, financial resources and other resources support to complete the development of the intangible assets and the ability to use or sell the intangible assets; the expenditure attributable to the development stage of intangible assets can be reliably measured. Development expenditures that do not meet the above criteria shall be included in the current profit and loss.

The research and development projects of the Group will enter the development stage if meeting the above criteria and passing technical and economic feasibility studies and after project establishment.

Development phase costs that have been capitalized will be presented as development expenses on balance sheet and transferred to intangible asset when the project gets ready for its intended use.

21. Asset impairment

The assets impairment of the long-term equity investment in subsidiary, associate and joint venture, 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:

On the balance sheet date, judge whether there are signs of possible impairment of assets. If there are signs of impairment, the Group will estimate its recoverable amount and conduct impairment tests. Goodwill resulting from business combinations, intangible assets with indefinite useful lives and intangible assets that have not yet reached their usable status are tested annually for impairment regardless of whether there is an indication of impairment.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Asset impairment (continued)

The recoverable amount is determined as the higher of the net of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. The Group estimates its recoverable amount based on individual assets; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of those from other assets or asset groups.

When the recoverable amount of an asset or asset group is lower than its book value, the Group writes down its book value to the recoverable amount. The reduced amount shall be included in the current profit and loss, and the corresponding provision for asset impairment shall be made.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill arising from a business combination is apportioned to the relevant asset group from the date of purchase using a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group portfolio. The relevant asset group or combination of asset groups is the one that can benefit from the synergies of the business combinations involving entities, and is not larger than the reporting segment determined by the Group.

When testing for impairment, if there is an indication that an asset group or asset group portfolio related to goodwill is impaired, the asset group or asset group portfolio that does not contain goodwill is first tested for impairment, the recoverable amount is calculated, and a corresponding impairment loss is recognized. The asset group or asset group portfolio containing goodwill is then tested for impairment, and the carrying amount is compared with the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss on goodwill is recognized.

Once an impairment loss on an asset is recognized, it is not reversed in subsequent accounting periods.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Long-term unamortized expenses

The long-term unamortized expenses incurred by the Group are priced at actual cost and amortized on an average basis over the expected benefit period. For long-term unamortized expenses that cannot benefit the subsequent accounting periods, all the amortized values shall be included in the current profit and loss.

23. 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 "long-term payroll payable" in the balance sheet according to mobility.

(2) Short-term compensation

During the accounting period when employees provide services, the Group shall recognize the actual wages, bonuses, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid for employees pursuant to the prescribed standards and proportions as liabilities, and record them into the current profit and loss or related asset costs.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Payroll (continued)

(3) Post-termination benefits

Post-termination benefit plans include defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions to a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. The Group involves only the defined contribution plan.

Defined contribution plans

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

During the accounting period in which employees provide services, the amount of deposits payable calculated based on the defined contribution plan is recognized as a liability and included in the current profit and loss or the cost of related assets.

(4) Demission benefit

Employee benefit liabilities arising from demission benefits will be recognized at the earlier of the date when the Group cannot unilaterally withdraw the dismissal benefits provided due to the termination of labor relations or the layoff proposals and the date when the Group recognizes the costs or expenses associated with the restructuring involving the payment of demission benefits, and will be include in the current profit and loss.

(5) Other long-term benefits

If other long-term employee benefits provided by the Group to employees meet the conditions of a defined contribution plan, they shall be subject to treatment pursuant to the above defined contribution plan. Other long-term employee benefits that meet the defined benefit plan shall be subject to treatment in accordance with the above-mentioned relevant regulations on defined benefit plans, but the "re-measurement of changes in the net liabilities or net assets of the defined benefit plan" in the relevant costs of employee benefits shall be included in the current profit and loss or related cost of assets.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Estimated liabilities

If the obligations related to the contingencies meet the following conditions simultaneously, the Group shall recognize them as estimated liabilities:

- (1) The obligation is the current obligation assumed by the Group;
- (2) The performance of the obligation is likely to cause outflow of economic benefits of the Group;
- (3) The amount of the obligation can be reliably measured.

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks, uncertainties associated with contingencies and the time value of money. Where the effect of the time value of money is significant, the best estimate is determined by discounting the related future cash outflows. The book value of estimated liabilities is reviewed at each balance sheet date and adjusted by the Group to reflect the current best estimate.

If all or part of the expenditure required to settle a recognized estimated liability is expected to be reimbursed by a third party or other parties, the amount of reimbursement is recognized separately as an asset only when it is virtually certain that it will be received. The amount of reimbursement recognized does not exceed the book value of the liability recognized.

25. Revenue

(1) General principles

The Group recognizes revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of the related goods or services.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(1) General principles (continued)

If a contract contains two or more performance obligations, the Group apportions the transaction price to each individual performance obligation at the contract commencement date in the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measures the revenue based on the transaction price apportioned to each individual 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 economic 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 is not reasonably determinable, the Group recognizes the revenue at the amount of costs already incurred until the progress of performance can be reasonably determined if the costs are expected to be reimbursed.

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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(1) General principles (continued)

- 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 significant risks and rewards of ownership of the goods to the customer, i.e. the customer has obtained significant 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 Contract assets, Contract assets is based on the expected credit losses to made the impairment (please refer to Note III. 10 (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 from the customers is presented as contract liabilities.

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 "Contract 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 "Contract liabilities" or "Other non-current liabilities" according to mobility.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(2) Specific method

The Group's revenue is mainly derived from the following types of business: software development, information system integration, sales of goods, provision of information system operation and maintenance services and provision of information system consulting services.

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

- ① Revenue from information 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 provision of information system operation and maintenance service are recognized on the straight-line basis over the period of operation and maintenance according to agreement.
- ④ Revenue from provision of information system consulting service are recognized on the straight-line basis over the period of consultation according to agreement.

26. 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 contact 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Contractual costs (continued)

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.

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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Contractual costs (continued)

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.

27. Government grant

Government grants are recognized when the conditions attached to the government grants are met and can be received.

If the government grant is in the form of a transfer of monetary asset, it is measured at the amount received or receivable. 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.

Government grants related to assets are those obtained by the Group for the acquisition or construction of long-term assets or the formation of long-term assets in other ways; otherwise, government grants are taken as those related to income.

For those government documents that do not specify the objects of grants and can form long-term assets, the part of government grants corresponding to the value of assets is treated as asset-related government grants, and the rest is treated as revenue-related government grants; if it is difficult to distinguish, the government grants as a whole are treated as revenue-related government grants.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Government grant (continued)

Government grants related to assets are recognized as deferred revenues and included in profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. Government grants related to income are recognized in profit or loss for the current period if they are used to compensate for related costs or losses incurred, or in deferred revenues if they are used to compensate for related costs or losses in subsequent periods, and are recognized in profit or loss for the current period in which the related costs or losses are recognized. Government grants measured at their nominal amounts shall be directly included in profit or loss for the current period. The Group deals with the same or similar government grant business with the same method.

Government grants related to ordinary activities are recorded in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income and expenses.

If a recognized government grant is required to be returned, the carrying amount of the asset is adjusted if the carrying amount of the asset is reduced upon initial recognition; if there is a deferred revenue balance, the carrying amount of the deferred revenue is reduced and the excess is recognized in profit or loss for the current period; in other cases, the deferred revenue is recognized directly in profit or loss for the current period.

28. Deferred income tax assets and deferred income tax liabilities

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from the business combinations involving entities, or the deferred income tax related to the transaction or event directly included in the owner's equity, income tax shall be included in profit or loss for the current period as the income tax expense.

The Group recognizes the deferred income tax using the balance sheet liability method based on the temporary difference between the book value of assets and liabilities on the balance sheet date and the tax base.

All taxable temporary differences are recognized as related deferred income tax liabilities, unless the taxable temporary differences are generated in the following transactions:

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Deferred income tax assets and deferred income tax liabilities (continued)

- (1) The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from a transaction with the following characteristics: the transaction is not a business combinations involving entities, and the transaction does not affect accounting profits nor taxable income when incurred (except single transactions in which the initial recognition of assets and liabilities gives rise to equivalent taxable temporary differences and deductible temporary differences);
- (2) For a taxable temporary difference related to an investment in a subsidiary, joint venture or an associate, the timing of the reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to subsequent years, and tax deductions, the Group recognizes the resulting deferred income tax assets within the limit of the future taxable income that is likely to be used to offset the deductible temporary differences, deductible losses and tax deductions, unless the deductible temporary differences arise from the following transactions:

- (1) The transaction is not a business combinations involving entities, and the transaction does not affect accounting profits nor taxable income when incurred (except single transactions in which the initial recognition of assets and liabilities gives rise to equivalent taxable temporary differences and deductible temporary differences);
- (2) Deductible temporary differences related to investment in subsidiaries, joint ventures and associates that meet the following conditions are recognized as deferred income tax assets: temporary differences are likely to be reversed in the foreseeable future and it is probable that taxable income will be available in the future against which the deductible temporary difference can be utilized.

On the balance sheet date, the Group measures deferred income tax assets and deferred income tax liabilities at the tax rates that are applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled, and reflects the impact of the way the asset is expected to be recovered or the liability to be settled on the income tax on the balance sheet date.

On the balance sheet date, the Group reviews the book value of deferred income tax assets. The carrying amount of deferred tax assets is written down if it is likely that sufficient taxable income will not be available in future periods to allow for the benefit of the deferred tax assets. When it is probable to obtain sufficient taxable income, such write-down amount shall be reversed.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Deferred income tax assets and deferred income tax liabilities (continued)

On the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- (1) The taxable entity of the Group has a legally enforceable right to offset current income tax assets against current income tax liabilities;
- (2) The deferred income tax assets and deferred income tax liabilities are related to the income taxes levied by the same taxation authority on the same taxable entity of the Group.

29. 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.

(2) The Group as the lessee

On the commencement date of a lease term, the Group 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.30.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Leases

(2) The Group as the lessee (continued)

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. Subsequently, 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 each period of the lease term.

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

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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Leases (continued)

(2) The Group as the lessee (continued)

Leases of low-value assets (continued)

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 each period of the lease term.

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

(3) The Group as the 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 lease

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 receivables that has not been received on the commencement date of the lease term, which is discounted according to the interest rate implicit in the lease. 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 for the current 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 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Leases (continued)

(3) The Group as the lessor (continued)

Operating leases

For rents in operating leases, the Group shall recognize the current profit and loss using the straight-line method over each period of 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 they are incurred.

30. Right-of-use assets

(1) Conditions for 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 of the lease, right-of-use assets are 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 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Right-of-use assets (continued)

(2) Depreciation method 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 remaining useful life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the leased 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.21.

31. Critical accounting judgments and estimates

The Group gives continuous assessment and the critical accounting estimates and key assumptions based on its historical experience and other factors, including the reasonable expectations of future events. The critical accounting estimates and key assumptions that are likely to lead to significant risks of adjusting the book value 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 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Critical accounting judgments and estimates (continued)

Development expenditures (continued)

In determining the amount to be capitalized, the management must make assumptions about the expected future cash generation from the assets, the discount rate to be used, and the expected period of benefit.

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 amount of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in critical accounting policies

① Interpretation No. 16 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) ("Interpretation No. 16") in November 2022.

According to the Interpretation No. 16, regarding single transactions that are not business combinations and do not affect either accounting profit or taxable income (or deductible losses) at the time of the transactions, and single transactions whose assets and liabilities initially recognized result in taxable temporary differences and deductible temporary differences of equal amounts, for the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transactions, enterprises shall respectively recognize the corresponding deferred income tax liabilities and deferred income tax assets upon the occurrence of the transactions in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 18 – Income Tax and other relevant regulations. For the above transactions that occurred between the beginning of the earliest period as shown in financial statements in which the above provisions were first applied and the date of application of this interpretation, enterprises shall adjust the opening retained income and other related items in financial statements for the earliest period as shown in financial statements by the accumulated affected amounts according to the above interpretation and the above provisions. The above accounting treatment provisions shall be effective from 1 January 2023.

Adjustment are made in accordance with Interpretation No. 16 for taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognized in respect of leasing business.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

32. Changes in Significant Accounting Policies and Accounting Estimates (continued)

(1) Changes in critical accounting policies (continued)

① Interpretation No. 16 of Accounting Standards for Business Enterprises (continued)

The impact of the above accounting policies on the consolidated balance sheet as at 31 December 2023 and the consolidated income statements for year 2023 is as follows:

Items of consolidated balance sheet

31 December 2023	Affected amount
Long-term equity investment	59,481.02
Deferred income tax assets	4,171,603.16
Deferred income tax liabilities	4,195,526.52
Capital reserves	1,033.79
Surplus reserves	14,023.81
Undistributed profit	38,540.83
Minority interests	-18,040.77

Items of consolidated income statements

Year 2023	Affected amount
Investment income	-9,545.14
Income tax expenses	24,150.02
Net profit	-33,695.16
Incl: net profit attributable to shareholders of the parent company	-42,851.01
Minority interests	9,155.85

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Changes in Significant Accounting Policies and Accounting Estimates (continued)

(1) Changes in critical accounting policies (continued)

① Interpretation No. 16 of Accounting Standards for Business Enterprises (continued)

The impact of the above changes in accounting policies on the consolidated balance sheet as at 31 December 2022 and the consolidated income statements for year 2022 is as follows:

Items of consolidated balance sheet

31 December 2022	Before adjustment	Adjusted amount	After adjustment
Long-term equity investment	246,485,219.16	67,938.03	246,553,157.19
Deferred income tax assets	62,531,772.56	5,285,276.76	67,817,049.32
Deferred income tax liabilities	2,781,860.60	5,285,050.10	8,066,910.70
Capital reserves	299,080,505.71	-54.34	299,080,451.37
Surplus reserves	129,512,206.34	13,178.43	129,525,384.77
Undistributed profit	552,609,587.82	82,237.22	552,691,825.04
Minority interests	58,651,054.36	-27,196.62	58,623,857.74

Items of consolidated income statements

(Year 2022)	Before adjustment	Adjusted amount	After adjustment
Investment income	28,352,032.00	18,283.26	28,370,315.26
Income tax expenses	20,088,805.30	-76,534.71	20,012,270.59
Net profit attributable to shareholders			
of the parent company	128,492,464.52	98,862.08	128,591,326.60
Minority interests	12,117,365.94	-4,044.11	12,113,321.83

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

32. Changes in Significant Accounting Policies and Accounting Estimates (continued)

(1) Changes in critical accounting policies (continued)

① Interpretation No. 16 of Accounting Standards for Business Enterprises (continued)

The impact of the above changes in accounting policies on the consolidated balance sheet as at 1 January 2022 is as follows:

Items of consolidated balance sheet	Before adjustment	Adjusted amount	After adjustment
Long-term equity investment	226,772,589.63	49,709.11	226,822,298.74
Deferred income tax assets	56,756,984.92	8,526,863.21	65,283,848.13
Deferred income tax liabilities	3,248,391.92	8,603,171.26	11,851,563.18
Surplus reserves	118,524,908.97	-344.64	118,524,564.33
Undistributed profit	443,449,232.82	-3,101.79	443,446,131.03
Minority interests	46,533,688.42	-23,152.51	46,510,535.91

The cumulative impact of the above accounting policies is as follows:

Affected items	Current period	Previous period
Net assets at the beginning of period	–	-26,598.94
Incl: Retained earnings	–	-3,446.43
Net profit	-33,695.16	94,817.97
Net assets at the end of period	35,557.66	–
Incl: Retained earnings	52,564.64	–

(2) Changes in critical accounting estimates

Nil.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IV. TAX

1. Main tax types and tax rates Tax type

	Taxation basis	Statutory tax rate %
Value added tax	Taxable value-added amount	5,6,9,13
Urban maintenance and construction tax	Turnover tax actually paid	7
Educational Surtax	Turnover tax actually paid	2,3
Corporate income tax	Taxable income	25

Name of taxable entity	Income tax rate %
The Company	15
Capinfo Hong Kong	-
Capinfo Technology	15
Parking Management	20
Rito Info	15
Capinfo Medical United	15
Capinfo Cloud Technology	15

2. Tax preference and approvals

(1) Value-added tax

In accordance with the requirements of the Circular of Value added Tax Policies for Software Products (《關於軟件產品增值稅政策的通知》) (Cain Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, Rito Info 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 Circular of Inclusion of Railway Transportation and Post Industry into the Pilot Proposals for the Change from Business Tax to Value-added Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) (Cai Shui [2015] No. 118) promulgated by the Ministry of Finance and the State Administration of Taxation, contracts of Rito Info 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 2023 (All amounts in RMB unless otherwise stated)

IV. TAX (continued)

2. Tax preference and approvals (continued)

(2) Corporate income tax

Capinfo Hong Kong has no payable tax profit during the year.

The Company obtained its Certificate of Hi-tech Enterprise, No. GR202311002001 on 26 October 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Technology obtained its Certificate of Hi-tech Enterprise, No. GR202311002117 on 26 October 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Rito Info obtained its Certificate of Hi-tech Enterprise, No. GR202135101116 on 14 December 2021 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Cloud Technology obtained its Certificate of Hi-tech Enterprise, No. GR202311004480 on 30 November 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Medical United obtained its Certificate of Hi-tech Enterprise, No. GR202211004422 on 1 December 2022 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Parking Management is entitled to the preferential income tax as national small and micro enterprises. The policies are as follows:

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IV. TAX (continued)

2. Tax preference and approvals (continued)

(2) Corporate income tax (continued)

Pursuant to the relevant provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (《財政部稅務總局關於進一步實施小微企業所得稅優惠政策的公告》) (Announcement No. 13 [2022] of the MOF and the SAT), from 1 January 2022 to 31 December 2024, small low-profit enterprises shall be subject to a 20% corporate income tax rate on 25% of the taxable income amount for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million.

Pursuant to the relevant provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on the Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses (《財政部稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》) (Announcement No. 6 [2023] of the MOF and the SAT), from 1 January 2023 to 31 December 2024, small low-profit enterprises shall be subject to a 20% corporate income tax rate on 25% of the taxable income amount for the portion of annual taxable income not exceeding RMB1 million.

Pursuant to the relevant provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (《財政部稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) (Announcement No. 12 [2023] of the MOF and the SAT), small low-profit enterprises shall be subject to a 20% corporate income tax rate on 25% of the taxable income amount, and this policy is extended till 31 December 2027.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS

1. Monetary funds

Item	Closing balance	Balance at the end of the previous year
Cash on hand	33,594.50	33,031.42
Bank deposits	784,156,263.48	891,870,113.10
Other monetary funds	29,907,762.55	31,513,876.24
Total	814,097,620.53	923,417,020.76
Including: Total amount of money deposited abroad	63,623,676.19	62,570,849.92

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

1. Monetary funds (continued)

Notes:

- (1) At the end of the period, other monetary funds of the Group include the guarantee deposit of RMB16,043,399.32, bank acceptance deposit of RMB1,670,161.17, the migrant workers' salary deposit of RMB9,093.53, the stock dividend amount of RMB11,988,176.00 deposited in the stock investment account, and deposit of RMB196,932.53 in Alipay and Wechat.
- (2) At the end of the period, restricted monetary fund of the Group amounted to RMB40,954,277.60, comprising the amount under supervision under the Beijing Hospital Medical project in bank deposits of RMB1,024,603.64, frozen funds under litigation of RMB22,216,113.47, and guarantee deposits under other monetary funds of RMB17,713,560.49. Details of restricted monetary fund are set out in Note V.22.

2. Notes receivable

Notes type	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Bank acceptance bill	77,630.00	1,009.19	76,620.81	-	-	-
Commercial acceptance bill	-	-	-	62,500.00	4,206.25	58,293.75
Total	77,630.00	1,009.19	76,620.81	62,500.00	4,206.25	58,293.75

- (1) At the end of the period, the Group did not have any pledged notes receivable.
- (2) At the end of the period, the Group did not have any endorsed or discounted notes receivable that were not due.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

2. Notes receivable (continued)

(3) At the end of the period, the Group did not have any note receivable which were transferred to accounts receivable due to the default of the drawer.

(4) Classified by provision for bad debt method

Category	Balance as at the end of the period				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit	
loss rate (%)				Book value	
Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on collective basis	77,630.00	100.00	1,009.19	1.30	76,620.81
Of which:					
Bank acceptance bill	77,630.00	100.00	1,009.19	1.30	76,620.81
Total	77,630.00	100.00	1,009.19	1.30	76,620.81

Continued:

Category	Balance as at the end of the previous year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit	
loss rate (%)				Book value	
Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on collective basis	62,500.00	100.00	4,206.25	6.73	58,293.75
Of which:					
Commercial acceptance bill	62,500.00	100.00	4,206.25	6.73	58,293.75
Total	62,500.00	100.00	4,206.25	6.73	58,293.75

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

2. Notes receivable (continued)

(4) Classified by provision for bad debt method (continued)

Provision for bad debts on collective basis:

Item with provision on collective basis: Bank acceptance bills

Name	Balance as at the end of the period			Balance as at the end of the previous year		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
0-6 months	77,630.00	1,009.19	1.30	-	-	-

Item with provision on collective basis: Commercial acceptance bills

Name	Balance as at the end of the period			Balance as at the end of the previous year		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
7 months – 1 year	-	-	-	62,500.00	4,206.25	6.73

(5) Provision for bad debts made, recovered or reversed in the current period

	Provision for bad debts
Balance as at the beginning of the period	4,206.25
Current reversal	3,197.06
Balance as at the end of the period	1,009.19

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Accounts Receivable

(1) Disclosure 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	Balance as at the end of the period	Balance as at the end of the previous year
0-6 months (6 months inclusive)	354,249,021.22	326,206,862.30
7 months-1 year	57,299,778.18	17,791,051.96
1-2 years	50,318,658.19	134,761,287.00
2-3 years	67,010,090.15	47,849,420.79
Above 3 years	127,428,177.87	114,011,214.97
Subtotal	656,305,725.61	640,619,837.02
Less: Provision for bad debts	192,943,781.91	188,592,816.88
Total	463,361,943.70	452,027,020.14

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Accounts Receivable (continued)

(2) Classified disclosure by provision for bad debt method

Category	Balance as at the end of the period				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value
Accounts receivable with provision for bad debts on individual basis	4,166,902.28	0.63	4,093,090.09	98.23	73,812.19
Accounts receivable with provision for bad debts on collective basis	652,138,823.33	99.37	188,850,691.82	28.96	463,288,131.51
Of which:					
E-government portfolio	513,804,665.04	78.29	123,743,338.93	24.08	390,061,326.11
E-commerce portfolio	138,334,158.29	21.08	65,107,352.89	47.07	73,226,805.40
Total	656,305,725.61	100.00	192,943,781.91	28.96	463,361,943.70

Continued:

Category	Balance as at the end of the previous year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value
Accounts receivable with provision for bad debts on individual basis	647,685.78	0.10	262,685.78	40.56	385,000.00
Accounts receivable with provision for bad debts on collective basis	639,972,151.24	99.90	188,330,131.10	29.43	451,642,020.14
Of which:					
E-government portfolio	519,795,644.26	81.14	133,285,638.76	25.64	386,510,005.50
E-commerce portfolio	120,176,506.98	18.76	55,044,492.34	45.80	65,132,014.64
Total	640,619,837.02	100.00	188,592,816.88	29.44	452,027,020.14

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Accounts Receivable (continued)

(2) Classified disclosure by provision for bad debt method (continued)

Provision for bad debts is made on an individual basis:

Name	Balance as at the end of the period			Provision reason
	Book balance	Provision for bad debts	Expected credit loss rate (%)	
China Tobacco Hubei Industrial Co. Ltd.	989,100.00	989,100.00	100.00	Not expected to be recovered
China Tongguang Electronics Co., Ltd.	550,000.00	550,000.00	100.00	Not expected to be recovered
China National Tobacco Corporation Sichuan Branch	519,000.00	519,000.00	100.00	Not expected to be recovered
China National Tobacco Corporation Guangdong Branch	394,720.00	394,720.00	100.00	Not expected to be recovered
New Hope Finance Co., Ltd.	300,128.00	300,128.00	100.00	Not expected to be recovered
Hainan Hongta Cigarette Co., Ltd.	164,972.20	133,218.75	80.75	Expected partial non-recovery
Haier Group Finance Co., Ltd.	133,600.00	133,600.00	100.00	Not expected to be recovered
China National Tobacco Corporation Hainan Branch	106,000.00	106,000.00	100.00	Not expected to be recovered
China Tobacco Hunan Industrial Co., Ltd.	105,116.64	99,166.70	94.34	Expected partial non-recovery
Beidaihe Rest Home	97,685.78	97,685.78	100.00	Not expected to be recovered
Others	806,579.66	770,470.86	95.52	Expected partial non-recovery
Total	4,166,902.28	4,093,090.09	98.23	-

Continued:

Name	Balance as at the end of the previous year			Provision reason
	Book balance	Provision for bad debts	Expected credit loss rate (%)	
China Tongguang Electronics Co., Ltd.	550,000.00	165,000.00	30.00	Expected partial non-recovery
Beidaihe Rest Home	97,685.78	97,685.78	100.00	Not expected to be recovered
Total	647,685.78	262,685.78	40.56	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Accounts Receivable (continued)

(2) Classified disclosure by provision for bad debt method (continued)

Provision for bad debts is made on a portfolio basis:

Account provision on collective basis: e-government portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Book balance	Provision for bad debts	Expected credit loss rate (%)
0-6 months (6 months inclusive)	287,584,313.06	3,738,596.07	1.30	270,438,228.30	2,812,557.57	1.04
7 months-1 year	51,576,779.28	3,393,752.08	6.58	15,115,683.84	1,017,285.53	6.73
1-2 years	36,126,606.56	8,720,962.82	24.14	121,004,274.92	32,102,434.15	26.53
2-3 years	57,065,284.47	26,438,346.29	46.33	31,654,236.14	15,770,140.45	49.82
Above 3 years	81,451,681.67	81,451,681.67	100.00	81,583,221.06	81,583,221.06	100.00
Total	513,804,665.04	123,743,338.93	24.08	519,795,644.26	133,285,638.76	25.64

Account provision on collective basis: e-commerce portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Book balance	Provision for bad debts	Expected credit loss rate (%)
0-6 months (6 months inclusive)	66,590,895.91	3,775,703.80	5.67	55,768,634.00	730,569.11	1.31
7 months-1 year	4,349,386.62	959,039.75	22.05	2,675,368.12	531,595.65	19.87
1-2 years	12,120,259.66	5,098,993.24	42.07	13,757,012.08	5,806,834.80	42.21
2-3 years	9,944,805.68	9,944,805.68	100.00	16,095,184.65	16,095,184.65	100.00
Above 3 years	45,328,810.42	45,328,810.42	100.00	31,880,308.13	31,880,308.13	100.00
Total	138,334,158.29	65,107,352.89	47.07	120,176,506.98	55,044,492.34	45.80

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Accounts Receivable (continued)

- (3) Provision for bad debts made, recovered or reversed in the current period

Item	Amount of provision for bad debts
Balance as at the beginning of the period	188,592,816.88
Current provision	4,350,965.03
Recovery or reversal during the current period	-
Current write-off	-
Balance as at the end of the period	192,943,781.91

- (4) Top five customers with closing balance of accounts receivable and contractual assets collected by arrear party

The aggregate amount of the top five accounts receivable and contractual assets by party in arrears at the end of the Reporting Period was RMB236,349,434.65, accounting for 34.69% of the total closing balance of accounts receivable and contractual assets, and the corresponding total closing balance of provision for bad debts was RMB31,046,863.65.

4. Prepayments

- (1) Prepayments disclosed by aging

Age	Closing balance		Balance at the end of the previous year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	49,634,783.51	77.07	44,159,562.36	58.78
1-2 years	6,573,268.52	10.21	13,931,349.17	18.54
2-3 years	2,504,281.95	3.89	4,608,947.86	6.13
Above 3 years	5,685,454.92	8.83	12,431,045.92	16.55
Total	64,397,788.90	100.00	75,130,905.31	100.00

- (2) At the end of the period, the Group did not have any major prepayments aged over 1 year.
- (3) Top five prepayments based on closing balance by the unit prepaid

Top five prepayments based on closing balance by the unit prepaid for the period is RMB33,303,838.81 in aggregate, representing 51.72% of total closing balance of prepayment.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables

Item	Closing balance	Balance at the end of the previous year
Interest receivables	-	-
Dividend receivables	-	-
Other receivables	73,564,280.38	66,761,546.95
Total	73,564,280.38	66,761,546.95

Other receivables

① Disclosed by age

Age	Closing balance	Balance at the end of the previous year
Within 1 year	21,923,000.75	14,141,626.98
1-2 years	9,780,911.57	15,831,762.10
2-3 years	9,894,359.39	3,037,893.99
Above 3 years	32,786,900.38	34,571,155.59
Subtotal	74,385,172.09	67,582,438.66
Less: bad debt provision	820,891.71	820,891.71
Total	73,564,280.38	66,761,546.95

② Disclosed by nature of payment

Item	Closing balance			Balance at the end of the previous year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Security deposit	38,924,332.50	627,200.00	38,297,132.50	35,999,433.86	627,200.00	35,372,233.86
Petty cash	2,814,652.13	-	2,814,652.13	2,010,120.81	-	2,010,120.81
Current accounts and others	32,646,187.46	193,691.71	32,452,495.75	29,572,883.99	193,691.71	29,379,192.28
Total	74,385,172.09	820,891.71	73,564,280.38	67,582,438.66	820,891.71	66,761,546.95

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

Other receivables (continued)

③ Provision for bad debt

Provision for bad debt at first stage as at the end of the period

Category	Book balance	Future 12-month expected credit loss (%)	Provision for bad debts	Carrying amount	Basis for classification
Other receivables with provision for bad debts by low-risk portfolio	73,564,280.38	–	–	73,564,280.38	Credit risk does not increase significantly since the initial recognition

As at the end of the period, the Group had no other receivables at the second age

As at the end of the period, provision for bad debts at the third stage:

Category	Book balance	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount	Basis for classification
Margin	627,200.00	100.00	627,200.00	–	On credit for long time and unlikely to be recovered
Current account and others	193,691.71	100.00	193,691.71	–	On credit for long time and unlikely to be recovered
Total	820,891.71	100.00	820,891.71	–	

As at the end of the previous year, provision for bad debts at the first stage:

Category	Book balance	Future 12-month expected credit loss (%)	Provision for bad debts	Carrying amount	Basis for classification
Other receivables with provision for bad debts by low-risk portfolio	66,761,546.95	–	–	66,761,546.95	Credit risk does not increase significantly since the initial recognition

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

Other receivables (continued)

③ Provision for bad debt (continued)

As at the end of the previous year, the Group did not have any other receivables at the second age.

As at the end of the previous year, provision for bad debts at the third stage:

Category	Book balance	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount	Basis for classification
Margin	627,200.00	100.00	627,200.00	-	On credit for long time and unlikely to be recovered
Current account and others	193,691.71	100.00	193,691.71	-	On credit for long time and unlikely to be recovered
Total	820,891.71	100.00	820,891.71	-	-

④ Provision for bad debts accrued, recovered or reversed during the current period

Provision for bad debts	Phase I Expected credit losses for the next 12 months	Phase II Lifetime expected credit loss (without credit impairment)	Phase III Lifetime expected credit loss (with credit impairment)	Total
Opening balance	-	-	820,891.71	820,891.71
Opening balance in this period	-	-	-	-
- Transferred to Phase II	-	-	-	-
- Transferred to Phase III	-	-	-	-
- Transferred back to Phase II	-	-	-	-
- Transferred back to Phase I	-	-	-	-
Current provision	-	-	-	-
Current write-off	-	-	-	-
Closing balance	-	-	820,891.71	820,891.71

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

Other receivables (continued)

⑤ Top five other receivables by debtor

Company name	Nature of amount	Closing balance of other receivables	Age	Proportion in total of closing balance of other receivables (%)	Closing balance of provision for bad debts
Capnet Company Limited ("Capnet")	Current account	12,763,374.39	Within 1 year; 1-2 years; 2-3 years; over 3 years	17.16	-
Changping Branch of Beijing Municipal Public Security Bureau	Margin	6,301,049.12	Over 3 years	8.47	-
Beijing Xinlongfu Culture Investment Co., Ltd.	Current account	5,524,889.58	Over 3 years	7.43	-
Beijing Huimin Digital Technology Co., Ltd. (北京惠民數字科技有限公司)	Margin	3,251,722.00	Within 1 year	4.37	-
Beijing Environmental Protection Monitoring Center (北京市環境保護監測中心)	Margin	2,914,498.40	Over 3 years	3.92	-
Total	-	30,755,533.49	-	41.35	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

6. Inventories

(1) Categories of inventories

Types of inventories	Closing balance			Balance at the end of the previous year		
	Book balance	Provision for impairment/ provision for impairment of contract performance	Carrying amount	Book balance	Provision for impairment/ provision for impairment of contract performance	Carrying amount
Contract performance costs	120,822,026.15	-	120,822,026.15	201,533,939.75	-	201,533,939.75
Finished goods	227,695.40	-	227,695.40	15,776,774.19	-	15,776,774.19
Total	121,049,721.55	-	121,049,721.55	217,310,713.94	-	217,310,713.94

(2) As at the end of period, the Group had not made provision for impairment of inventories and provision for impairment of contract performance costs.

7. Contract assets

Item	Balance as at the end of the period	Balance as at the end of the previous year
Contract assets	24,984,727.58	26,067,517.24
Less: impairment provision of contract assets	531,981.04	732,060.12
Subtotal	24,452,746.54	25,335,457.12
Less: contract assets included in other non-current assets	-	-
Total	24,452,746.54	25,335,457.12

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contract assets (continued)

(1) Provision for impairment of contract assets

Type	Book balance	Proportion (%)	Balance as at the end of the period		Book value
			Provision for bad debts	Expected credit loss rate (%)	
Contract assets with provision for bad debts on individual basis	-	-	-	-	-
Contract assets with provision for bad debts on collective basis	24,984,727.58	100.00	531,981.04	2.13	24,452,746.54
Of which:					
E-government portfolio	24,769,138.54	99.14	519,757.14	2.10	24,249,381.40
E-commerce portfolio	215,589.04	0.86	12,223.90	5.67	203,365.14
Total	24,984,727.58	100.00	531,981.04	2.13	24,452,746.54

Type	Book balance	Proportion (%)	Balance as at the end of the previous year		Book value
			Provision for bad debts	Expected credit loss rate (%)	
Contract assets with provision for bad debts on individual basis	-	-	-	-	-
Contract assets with provision for bad debts on collective basis	26,067,517.24	100.00	732,060.12	2.81	25,335,457.12
Of which:					
E-government portfolio	23,469,972.61	90.04	692,154.95	2.95	22,777,817.66
E-commerce portfolio	2,597,544.63	9.96	39,905.17	1.54	2,557,639.46
Total	26,067,517.24	100.00	732,060.12	2.81	25,335,457.12

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contract assets (continued)

(1) Provision for impairment of contract assets (continued)

Provision for bad debts made on a collective basis:

Account provision on collective basis: e-government portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Contract assets	Impairment provision	Expected credit loss rate (%)	Contract assets	Impairment provision	Expected credit loss rate (%)
0-6 months (6 months inclusive)	22,232,024.95	289,016.32	1.30	20,789,696.64	216,212.83	1.04
7 months-1 year	2,376,613.59	156,381.17	6.58	1,187,550.97	79,922.18	6.73
1-2 years	-	-	-	1,492,725.00	396,019.94	26.53
2-3 years	160,500.00	74,359.65	46.33	-	-	-
Total	24,769,138.54	519,757.14	2.10	23,469,972.61	692,154.95	2.95

Account provision on collective basis: e-commerce portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Contract assets	Impairment provision	Expected credit loss rate (%)	Contract assets	Impairment provision	Expected credit loss rate (%)
0-6 months (6 months inclusive)	215,589.04	12,223.90	5.67	2,565,877.96	33,613.00	1.31
7 months-1 year	-	-	-	31,666.67	6,292.17	19.87
Total	215,589.04	12,223.90	5.67	2,597,544.63	39,905.17	1.54

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contract assets (continued)

- (2) Provision for impairment of contract assets made, recovered or reversed in the current period

Item	Current provision	Current reversal	Resales/write-off for the period	Reason
Provision for impairment of contract assets	–	200,079.08	–	–

8. Held-for-sale assets

Item	Balance as at the end of the period		
	Book balance	Provision for impairment	Book value
Assets in the disposal group held for sale			
Incl: asset group of government network service project	89,060,867.96	58,803,186.83	30,257,681.13

Notes:

- (1) The asset group of government network service project mainly consisted of switches, servers, computers, hard drives, optical cable construction projects and other equipment, as well as supporting system software such as network management software, budget software and anti-virus engines.
- (2) The asset group of government network service project met the conditions of recognition as held for sale: (i) the operating agreement in relation to the government network service project expired and it was deemed sold (transferred) under the current circumstance; (ii) the Company entered into a transfer agreement with the asset transferee, and the management has obtained firm purchase commitments and preliminarily determined, upon a third party review, the amount of the asset group to be transferred; (iii) the transfer of the asset group of government network service project commenced in February 2023 and the transfer is expected to be completed by 30 June 2024. The above asset group of government network service project to be transferred is presented as a disposal group held for sale.
- (3) The Group reduced the book value of the asset group of government network service project to the net amount after the fair value minus the disposal cost, and recognized an asset impairment loss of RMB58,803,186.83.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

8. Held-for-sale assets (continued)

Provision for impairment of assets held for sale

Item	Balance as at the beginning of period	Decrease for the period			Balance as at the end of period
		Increase for the period	Reversal for the period	Disposal for the period	
Assets in the disposal group held for sale					
Incl: asset group of government network					
service project	-	58,803,186.83	-	-	58,803,186.83

9. Other current assets

Item	Closing balance	Balance at the end of the previous year
Prepaid income tax	365,733.83	-
Input tax to be deducted	310,379.21	1,954,319.76
Others	461,758.35	-
Total	1,137,871.39	1,954,319.76

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

10. Long-term equity investment

Investee	Opening balance (book value)	Opening balance of impairment provision	Additional investment	Decreased in vestment	Increase and decrease in the current period					Closing balance (book value)	Closing balance of impairment provision	
					Investment gain or loss recognized under the equity method	Adjustment to other comprehensive income	Changes in other equity	Cash dividends or profit declared to be issued	Provision for impairment Others			
Associate												
Beijing Certificate Authority Co., Ltd. ("BJCA")	246,034,479.64	-	-	-	-12,383,797.64	-	5,911,194.59	2,479,256.36	-	-	237,082,620.23	-
Beijing Culture and Sports Technology Co., Ltd. (北京文化體育科技有 限公司)	518,677.55	-	-	518,677.55	-	-	-	-	-	-	-	-
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
Total	246,553,157.19	3,862,753.24	-	518,677.55	-12,383,797.64	-	5,911,194.59	2,479,256.36	-	-	237,082,620.23	3,862,753.24

11. Other equity instrument investments

Item	Closing balance	Balance at the end of the previous year
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: Other equity instrument investments refer to long-term investments of the Company held for strategic purposes, which the Company will designate as financial assets measured at fair value through other comprehensive income.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

12. Other non-current financial assets

Type	Closing balance	Balance at the end of the previous year
Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥))	51,300,941.47	37,133,667.59

13. Investment properties

Item	Buildings and structures
I. Original book value	
1. Opening balance	74,320,626.80
2. Amount increased in the current period	-
3. Amount decreased in the current period	-
4. Closing balance	74,320,626.80
II. Accumulated depreciation and accumulated amortization	
1. Opening balance	51,372,496.08
2. Amount increased in the current period	3,620,574.72
(1) Provision or amortization	3,620,574.72
3. Amount decreased in the current period	-
4. Closing balance	54,993,070.80
III. Impairment reserve	
1. Opening balance	-
2. Amount increased in the current period	-
3. Amount decreased in the current period	-
4. Closing balance	-
IV. Book value	
1. Ending book value	19,327,556.00
2. Opening book value	22,948,130.72

Details of certificate of title to be obtained

Item	Carrying amount	Reason for not having obtained the title certificate
Digital Beijing Building	19,327,556.00	Yet to be obtained

Note: The above investment properties depreciation is calculated on the straight-line basis at an annual rate of 5%.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

14. Fixed assets

Item	Closing balance	Balance at the end of the previous year
Fixed assets	125,554,131.98	136,104,319.03
Liquidation of fixed assets	-	-
Total	125,554,131.98	136,104,319.03

Fixed assets

Item	Machinery and equipment	Others	Total
I. Original book value			
1. Opening balance	739,582,251.69	52,443,295.10	792,025,546.79
2. Amount increased in the current period	43,507,026.12	48,465,013.40	91,972,039.52
(1) Purchase	43,507,026.12	48,465,013.40	91,972,039.52
(2) Transfer of construction in progress	-	-	-
3. Amount decreased in the current period	287,492,033.95	-	287,492,033.95
(1) Disposal or scrapping	125,958,394.61	-	125,958,394.61
(2) Other decreases	161,533,639.34	-	161,533,639.34
4. Closing balance	495,597,243.86	100,908,308.50	596,505,552.36
II. Accumulated depreciation			
1. Opening balance	604,385,999.36	51,535,228.40	655,921,227.76
2. Amount increased in the current period	53,824,082.37	8,916,994.13	62,741,076.50
(1) Accrual	53,824,082.37	8,916,994.13	62,741,076.50
3. Amount decreased in the current period	247,710,883.88	-	247,710,883.88
(1) Disposal or scrapping	119,892,319.24	-	119,892,319.24
(2) Other decreases	127,818,564.64	-	127,818,564.64
4. Closing balance	410,499,197.85	60,452,222.53	470,951,420.38
III. Impairment reserve			
1. Opening balance	-	-	-
2. Amount increased in the current period	-	-	-
3. Amount decreased in the current period	-	-	-
4. Closing balance	-	-	-
IV. Book value			
1. Ending book value	85,098,046.01	40,456,085.97	125,554,131.98
2. Opening book value	135,196,252.33	908,066.70	136,104,319.03

Note: The Group has no fixed assets which have been pledged or secured during the period.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

15. Right-of-use assets

Item	Houses and buildings
I. Original book value	
1. Opening balance	85,321,072.53
2. Amount increased in the current period	26,663,056.74
(1) Addition of new lease	26,663,056.74
(2) Remeasurement	-
3. Amount decreased in the current period	59,985,598.05
(1) Termination of lease	59,985,598.05
4. Closing balance	51,998,531.22
II. Accumulated depreciation	
1. Opening balance	53,537,012.13
2. Amount increased in the current period	31,377,934.59
(1) Accrual	31,377,934.59
3. Amount decreased in the current period	59,985,598.05
(1) Termination of lease	59,985,598.05
4. Closing balance	24,929,348.67
III. Impairment reserve	
1. Opening balance	-
2. Amount increased in the current period	-
3. Amount decreased in the current period	-
4. Closing balance	-
IV. Book value	
1. Closing book value	27,069,182.55
2. Opening book value	31,784,060.40

Notes:

- (1) The Group adopted a simplified method for short-term leases, and the amount of RMB8,988,235,052 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 RMB39,087,796.05.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

16. Intangible assets

Item	Software	Customer Relationship	Total
I. Original book value			
1. Opening balance	244,813,844.82	2,328,003.18	247,141,848.00
2. Amount increased in the current period	149,466,016.99	–	149,466,016.99
(1) Purchase	30,322,348.37	–	30,322,348.37
(2) Internal R&D	119,143,668.62	–	119,143,668.62
3. Amount decreased in the current period	5,847,927.51	–	5,847,927.51
(1) Other decreases	5,847,927.51	–	5,847,927.51
4. Closing balance	388,431,934.30	2,328,003.18	390,759,937.48
II. Accumulated amortization			
1. Opening balance	198,092,846.59	2,328,003.18	200,420,849.77
2. Amount increased in the current period	25,644,320.32	–	25,644,320.32
(1) Accrual	25,644,320.32	–	25,644,320.32
3. Amount decreased in the current period	4,957,403.02	–	4,957,403.02
(1) Other decreases	4,957,403.02	–	4,957,403.02
4. Closing balance	218,779,763.89	2,328,003.18	221,107,767.07
III. Impairment reserve			
1. Opening balance	–	–	–
2. Amount increased in the current period	6,900,871.88	–	6,900,871.88
3. Amount decreased in the current period	–	–	–
4. Closing balance	6,900,871.88	–	6,900,871.88
IV. Book value			
1. Ending book value	162,751,298.53	–	162,751,298.53
2. Opening book value	46,720,998.23	–	46,720,998.23

Note: At the end of period, intangible assets from internal R&D represents 34.43% of the balance of intangible assets.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

17. Development expenditures

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Development expenditure	78,642,530.16	109,175,488.47	124,705,150.70	63,112,867.93

Note: For details, please refer to Note VI. Research and development expenses.

18. Goodwill

(1) Original book value of goodwill

Name of the investee or items forming goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Closing balance
		Business combination and formation	Others	Disposal	Others	
Rito Info	184,597,722.06	-	-	-	-	184,597,722.06

(2) Provision for impairment of goodwill

Name of the investee or items forming goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Disposal	Others	
Rito Info	184,597,722.06	-	-	-	-	184,597,722.06

19. Long-term unamortized expenses

Item	Beginning balance	Increase in the current period	Decrease in the current period		Closing balance
			Amortized amount for the period	Decrease in other amounts	
Leasehold improvement	48,417.66	-	8,183.28	-	40,234.38
Construction and installment fees	13,146,387.50	-	5,427,525.68	-	7,718,861.82
Total	13,194,805.16	-	5,435,708.96	-	7,759,096.20

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

20. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities before offset

Item	Closing balance		Balance at the end of the previous year	
	Deductible/ taxable/ temporary difference	Deferred income tax assets/liabilities	Deductible/ taxable/ temporary difference	Deferred income tax assets/ liabilities
Deferred tax assets:				
Provision for asset impairment	252,654,472.21	37,898,170.83	189,781,121.98	23,901,513.02
Other payables	273,601,025.00	41,040,153.75	221,489,761.05	28,894,048.08
Amortization of intangible assets	35,985,071.15	5,397,760.67	37,962,762.55	4,487,974.10
Payroll payable	18,581,727.90	2,787,259.18	39,074,140.28	4,083,389.65
Deferred income	254,273.51	38,141.03	1,826,923.08	257,692.31
Non-current liabilities due within				
one year	8,634,889.84	1,295,233.48	8,634,889.84	863,488.98
Lease liabilities	28,101,797.18	4,215,269.58	32,167,443.30	5,328,943.18
Deductible loss	74,298,919.68	11,144,837.95	–	–
Subtotal	692,112,176.47	103,816,826.47	530,937,042.08	67,817,049.32
Deferred income tax liabilities:				
Acceleration of charging of fixed				
assets	54,909,820.32	8,236,473.04	15,031,058.62	2,248,954.11
Right-of-use assets and lease				
prepayments	28,987,428.57	4,348,114.29	31,862,578.12	5,437,637.87
Changes in fair value of other				
non-current financial assets	–	–	3,803,187.24	380,318.72
Subtotal	83,897,248.89	12,584,587.33	50,696,823.98	8,066,910.70

(2) Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Item	Closing balance	Balance at the end of the previous year
Deductible losses	67,530,126.63	26,216,754.14
Provision for asset impairment	12,908,732.43	368,852.98
Total	80,438,859.06	26,585,607.12

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

20. Deferred income tax assets and deferred income tax liabilities (continued)

- (3) Deductible losses on unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Balance at the end of the previous year		Note:
2032	26,216,754.14	26,216,754.14		-
2033	41,313,372.49	-		-
Total	67,530,126.63	26,216,754.14		-

21. Other non-current assets

Item	Book balance	Closing balance		Balance at the end of the previous year		
		Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Deposits in large amount	106,652,602.74	-	106,652,602.74	103,102,602.74	-	103,102,602.74

Note: At the end of the period, included in the Group's deposit in large amount is accrued interest of RMB6,652,602.74 which is not yet due for payment.

22. Assets with limited title of use

Item	Book balance	Balance at the end of the period		
		Book value	Type of limitation	Details of limitation
Monetary fund	40,954,277.60	40,954,277.60	Margin, supervision, freezing	Monetary funds that cannot be withdrawn at any time

Item	Balance at the end of the previous year			
	Book balance	Book value	Type of limitation	Details of limitation
Monetary fund	22,029,261.03	22,029,261.03	Margin	Monetary funds that cannot be withdrawn at any time

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

23. Notes payables

Type	Balance at the end of the period	Balance at the end of the previous year
Bank acceptance bill	1,669,827.20	–

Note: At the end of the period, the Group did not have any note payable which were due and unpaid.

24. Accounts payable

(1) Disclosure of accounts payable by type

Item	Closing balance	Balance at the end of the previous year
Payment for goods	398,969,828.62	348,072,086.81

(2) Disclosure of accounts payable by aging

Item	Closing balance	Balance at the end of the previous year
Within 1 year	234,755,064.91	160,571,264.40
1-2 years	45,659,868.36	71,198,150.09
2-3 years	38,107,259.19	70,537,113.22
Above 3 years	80,447,636.16	45,765,559.10
Total	398,969,828.62	348,072,086.81

Note: The aging of accounts payable is presented based on the date of receipt of goods and services.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

24. Accounts payable (continued)

(2) Disclosure of accounts payable by aging (continued)

Of which, major accounts payable aged over 1 year

Item	Closing balance	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
Zhong Jin Guo Yin (Beijing) Information Service Co., Ltd. (中金國銀(北京)信息服務有限公司)	7,937,691.05	Project not settled
Total	29,614,791.05	–

25. Contract Liabilities

Item	Closing balance	Balance at the end of the previous year
Item receipt	315,570,239.61	335,630,190.76

Of which, major contract liabilities aged over 1 year

Item	Balance as at the end of the period	Reasons for being outstanding or not carried forward
Beijing Municipal Public Security Bureau Tongzhou Branch	11,883,192.47	Project not settled
Finance Bureau of Haidian District, Beijing	11,000,000.00	Project not settled
Total	22,883,192.47	–

Note: The contract liability at the beginning of 2023 was RMB335,630,190.76, of which RMB247,375,245.91 was recognized as revenue in 2023.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

26. Payroll Payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term employee benefits	94,558,807.65	415,018,592.44	438,217,500.90	71,359,899.19
Post-employment benefits – defined contribution plans	3,967,307.52	69,432,890.68	67,823,422.38	5,576,775.82
Termination benefits	–	23,003,518.11	6,464,066.49	16,539,451.62
Total	98,526,115.17	507,455,001.23	512,504,989.77	93,476,126.63

(1) Short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Closing balance
Salary, bonus, allowance, and subsidy	82,107,205.12	335,409,659.25	358,686,441.23	58,830,423.14
Staff welfare	–	1,273,000.75	1,273,000.75	–
Social insurance premium	3,797,379.58	33,948,373.78	33,733,251.47	4,012,501.89
Including: 1. Medical insurance premiums	3,750,387.66	33,257,295.68	33,048,323.89	3,959,359.45
2. Industrial injury insurance premiums	46,991.92	663,938.59	657,984.33	52,946.18
3. Maternity insurance premiums	–	27,139.51	26,943.25	196.26
Housing provident fund	29,635.50	38,091,284.17	38,096,430.97	24,488.70
Union dues and staff training fees	8,624,587.45	5,776,422.67	5,908,524.66	8,492,485.46
Other short-term remuneration	–	519,851.82	519,851.82	–
Total	94,558,807.65	415,018,592.44	438,217,500.90	71,359,899.19

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

26. Payroll Payable (continued)

(2) Defined contribution plan

Item	Beginning balance	Increase in the current period	Decrease in the current period	Closing balance
Post-employment benefits	3,967,307.52	69,432,890.68	67,823,422.38	5,576,775.82
Including: 1. Basic pension insurance premiums	3,845,508.21	51,107,699.84	50,728,254.38	4,224,953.67
2. Unemployment insurance	121,799.31	1,614,644.36	1,601,275.24	135,168.43
3. Company annuity	–	16,710,546.48	15,493,892.76	1,216,653.72
Total	3,967,307.52	69,432,890.68	67,823,422.38	5,576,775.82

Note: The employees of the Group participate in a retirement benefit scheme operated by the government of the Mainland China and managed by the state. The Group calculates and contributes 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 Group to reduce the existing contribution level.

(3) Demission benefit

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Demission benefit	–	23,003,518.11	6,464,066.49	16,539,451.62

Note: Demission benefit are compensation paid by a company prior to the expiration of a labor contract to terminate the labor relationship with the employee. The demission benefit of the Company and its subsidiaries is based on the amount of demission compensation determined through negotiation with the employees or labor arbitration.

27. Tax payables

Taxes	Closing balance	Balance at the end of the previous year
Value added tax	21,911,249.56	24,496,781.75
Enterprise income tax	12,700,378.89	24,731,784.20
Urban maintenance and construction tax	2,163,421.82	2,242,208.28
Education surcharges	1,430,857.15	1,231,229.76
Individual income tax	637,123.49	469,864.62
Land use tax	17,686.62	17,686.62
Stamp duty	46,115.43	10,574.51
Total	38,906,832.96	53,200,129.74

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

28. Other payables

Item	Closing balance	Balance at the end of the previous year
Interest payable	–	–
Dividend payable	–	–
Other payables	349,845,189.48	292,583,177.67
Total	349,845,189.48	292,583,177.67

Other payables

Item	Closing balance	Balance at the end of the previous year
Margin and deposits	6,307,051.78	7,353,275.19
Current account	32,192,318.31	27,826,320.86
Project bills payable	295,750,168.83	243,273,759.12
Non-operating current accounts of related parties	12,000,000.00	12,000,000.00
Others	3,595,650.56	2,129,822.50
Total	349,845,189.48	292,583,177.67

Of which, major other payables aged over 1 year

Item	Amount	Reasons for being outstanding or not carried forward
Beijing State-owned Assets Management Co., Ltd. ("BSAM")	12,000,000.00	Settlement conditions are unsatisfied
Capnet	7,598,201.05	Settlement conditions are unsatisfied
Total	19,598,201.05	–

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

29. Non-current liabilities due within one year

Item	Closing balance	Balance at the end of the previous year
Lease liabilities due within one year	8,904,334.43	28,597,080.05
Long-term payables due within one year	54,631,941.15	54,631,941.15
Total	63,536,275.58	83,229,021.20

(1) Lease liabilities due within one year

Item	Closing balance	Balance at the end of the previous year
Lease liabilities due within one year	8,904,334.43	28,597,080.05

(2) Long-term payables due within one year

Item	Closing balance	Balance at the end of the previous year
Contingent consideration of Rito Info	54,631,941.15	54,631,941.15

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

30. Lease liabilities

Item	Closing balance	Balance at the end of the previous year
Lease payments of buildings and structures	30,903,721.91	33,194,363.45
Less: unrecognized finance costs	2,801,924.73	1,022,201.42
Subtotal	28,101,797.18	32,172,162.03
Less: Lease liabilities due within one year	8,904,334.43	28,597,080.05
Total	19,197,462.75	3,575,081.98

Note: The amount of interest expense on lease liabilities accrued in 2023 was RMB950,719.01, which was included in finance expenses- interest expenses.

31. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	1,826,923.08	-	1,572,649.57	254,273.51	Fiscal appropriation

Note: Details of government grant included in deferred income are set out in Note VIII. Government grants.

32. Share capital (unit: ten thousand shares)

Item	Beginning balance	New shares issued	Share dividend	Increase/decrease for the current period (+, -)			Subtotal	Closing balance
				Capitalization of capital reserve into share capital	Others			
Total number of shares	289,808.61	-	-	-	-	-	289,808.61	

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

33. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	259,229,641.55	–	–	259,229,641.55
Other capital reserves	39,850,809.82	5,911,194.59	–	45,762,004.41
Total	299,080,451.37	5,911,194.59	–	304,991,645.96

Note: Changes in other capital reserves for the current year refer to changes in owner's equity of the associate BJCA other than net profit and loss, other comprehensive income and profit distribution. The Group's share based on its proportionate shareholding is included in other capital reserves.

34. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening balance	Amount incurred in the current period		Closing balance
		Attributable to the parent company after tax	Less: The retained earnings transferred in the current period but previously included in other comprehensive income	
I. Other comprehensive incomes that will not be reclassified into profit or loss				
1. Changes in fair value of other equity instrument investments	-8,443,166.86	–	–	-8,443,166.86
Total other comprehensive income	-8,443,166.86	–	–	-8,443,166.86

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

35. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	129,525,384.77	–	–	129,525,384.77

36. Undistributed profit

Item	Retained earnings at the end of the previous period before	Amount incurred in the current period
Amount incurred in the previous period adjustment	552,691,825.04	443,449,232.82
Total amount of adjustment for undistributed profits at the beginning of the period ("+" for increase and "-" for decrease)	–	-3,101.79
Retained earnings at the beginning of the period after adjustment	552,691,825.04	443,446,131.03
Plus: net profit attributable to shareholders of the parent company	-72,906,433.12	128,591,326.60
Less: withdrawal of legal surplus reserve	–	11,000,820.44
Common share dividends payable	50,716,506.59	8,344,812.15
Retained earnings at the end of the period	429,068,885.33	552,691,825.04

Notes:

- (1) According to the requirements of the Articles of Association, the 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.
- (2) Due to changes in accounting policies, the undistributed profit at the beginning of the previous period was adjusted to RMB-3,101.79.
- (3) For the impact of changes in accounting policies on undistributed profits at the beginning of the previous period, please refer to Note III. 32.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

37. Operating income and operating cost

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	1,409,887,000.33	1,021,948,994.26	1,402,938,780.41	884,994,988.54
Other business	15,694,774.08	4,588,907.74	20,014,966.85	4,555,916.92
Total	1,425,581,774.41	1,026,537,902.00	1,422,953,747.26	889,550,905.46

(1) Principal business (sub-business)

Business name	Amount incurred in the current period		Amount incurred in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Software development and service	722,848,747.60	484,613,802.57	678,308,184.11	383,511,544.68
System integration	375,830,996.91	298,301,537.04	433,826,219.04	316,856,908.41
Data processing service	261,221,241.42	199,149,813.76	260,889,845.43	160,171,340.87
Information professional service	49,986,014.40	39,883,840.89	29,914,531.83	24,455,194.58
Total	1,409,887,000.33	1,021,948,994.26	1,402,938,780.41	884,994,988.54

(2) Other business (sub-business)

Business name	Amount incurred in the current period		Amount incurred in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Rental income from investment property	15,694,774.08	4,588,907.74	20,014,966.85	4,555,916.92

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

37. Operating income and operating cost (continued)

(3) Operating revenue by timing of transfer of goods

Item	Amount incurred in the current period
Principal business revenue	1,409,887,000.33
Of which: At a certain point of time	515,983,609.79
Over a period of time	893,903,390.54
Other operating revenue	15,694,774.08
Of which: Leasing revenue	15,694,774.08
Total	1,425,581,774.41

38. Taxes and surcharges

Item	Amount incurred in the current period	Amount incurred in the previous period
City maintenance and construction tax	1,369,071.21	2,050,264.78
Education Surcharges	1,238,531.99	1,464,468.24
Property tax	1,500,744.97	2,521,885.83
Land use tax	17,686.62	17,686.62
Stamp duty	819,840.91	714,789.64
Others	-	8,458.50
Total	4,945,875.70	6,777,553.61

Note: For details of calculation of taxes and surcharges, please refer to Note IV. Tax.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

39. Sales expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	95,128,963.77	102,128,126.05
Depreciation and amortization	8,899,881.31	7,273,180.27
Labor expenses	1,946,696.69	3,836,421.79
Bidding service fee	1,159,500.98	–
House rental fee	1,383,943.85	819,069.25
Transportation fee	1,183,423.61	196,009.62
External negotiation fee	483,726.38	2,924,140.69
Communication expenses	219,638.86	255,195.79
Office expenses	106,230.69	168,147.60
Others	499,495.30	792,032.96
Total	111,011,501.44	118,392,324.02

40. Administrative expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	98,461,722.06	75,724,890.05
Depreciation and amortization	35,884,449.09	27,418,151.44
Office expenses	5,742,004.40	6,133,392.97
Consulting expenses	3,880,510.35	884,941.40
Property and water & electricity fee	3,444,468.45	6,863,990.98
Rents & leases	3,432,031.52	2,705,215.78
Disabled security fund	2,557,004.51	2,112,816.46
Labor expenses	2,389,174.38	2,049,148.57
Audit and evaluation fee	2,381,091.92	1,665,609.87
Leasehold improvement	1,156,282.12	4,205,326.14
Travel expense	718,696.35	1,334,520.07
Communication expenses	297,593.23	404,515.97
Transportation fee	81,338.74	187,154.02
Others	4,909,761.71	4,463,868.33
Total	165,336,128.83	136,153,542.05

Note: Remuneration payable to the auditors by the Group for the current year was RMB1,449,300.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

41. Research and development expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	121,921,487.16	128,065,381.06
Rents & leases	4,172,260.15	680,960.70
Materials and equipment costs	4,074,140.10	–
Entrust external research and development expenses	2,354,442.51	2,243,369.54
Depreciation and amortization	226,819.73	3,500,492.04
Others	1,827,515.77	2,804,663.76
Total	134,576,665.42	137,294,867.10

42. Financial Expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	950,719.01	2,365,032.94
Less: Interest income	10,397,426.77	13,438,693.53
Exchange gain/loss	-764,451.61	-5,265,480.16
Service charge and others	189,065.33	112,876.68
Total	-10,022,094.04	-16,226,264.07

43. Other Income

Item	Amount incurred in the current period	Amount incurred in the previous period
Government grants	2,299,771.70	9,075,117.41
Refund of commission fee for withholding and payment of personal income tax	285,377.35	260,837.37
Additional input value-added tax credit	16,766.06	69,358.05
Total	2,601,915.11	9,405,312.83

Note: Details of government grant are set out in Note VIII. Government grants.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

44. Investment income

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by the equity method	-12,383,797.64	24,252,514.81
Investment income from disposal of long-term equity investment	-187,916.95	—
Investment income from deposits with a large amount	3,550,000.00	3,533,267.12
Investment income from other non-current financial assets	2,516,213.64	584,533.33
Total	-6,505,500.95	28,370,315.26

Notes: See Notes V.10 for "Gains on long-term equity investments calculated on equity method".

45. Gain on changes in fair value

Sources of gain on changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Other non-current financial assets	1,532,437.34	3,803,187.24

46. Impairment losses of credit (loss is marked by "-")

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on notes receivable	3,197.06	-4,206.25
Bad debts losses of accounts receivables	-4,350,965.03	-31,905,510.39
Bad debt losses on other receivables	—	-137,976.99
Total	-4,347,767.97	-32,047,693.63

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

47. Assets impairment loss (loss is marked by "-")

Item	Amount incurred in the current period	Amount incurred in the previous period
Impairment losses on contract assets	200,079.08	463,466.98
Impairment losses on development expenditure	-5,561,482.08	-
Impairment losses on intangible assets	-6,900,871.88	-
Impairment losses on held-for-sale assets	-58,803,186.83	-
Total	-71,065,461.71	463,466.98

48. Gain from disposal of assets (loss is marked by "-")

Item	Amount incurred in the current period	Amount incurred in the previous period
Gains on disposal of fixed assets (loss is marked by "-")	-5,832,369.74	-
Others	-	14,795.59
Total	-5,832,369.74	14,795.59

49. Non-operating income

Item	Amount incurred in the current period	Amount incurred in the previous period
Default fines	110,000.00	-
Others	80,503.97	12,861.93
Total	190,503.97	12,861.93

50. Non-operating Expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Default fines	3,766.28	116,146.27
Charity donation	-	200,000.00
Total	3,766.28	316,146.27

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

51. Income tax expense

(1) Breakdown of income tax expense

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax calculated according to tax law and relevant provisions	3,339,939.18	26,330,124.26
Deferred income tax expenses	-31,482,100.52	-6,317,853.67
Total	-28,142,161.34	20,012,270.59

(2) Relationship between income tax expenses and total profits is presented as follows:

Item	Amount incurred in the current period	Amount incurred in the previous period
Total profit	-90,234,215.17	160,716,919.02
Income tax expense calculated at statutory (or applicable) tax rate	-13,535,132.28	16,071,691.90
Impact of different tax rates applied to certain subsidiaries	-157,924.20	3,576,075.36
Adjustments to current income taxes of prior periods	-514,814.21	6,260,083.08
Profit or loss in joint ventures and associates accounted by equity method	1,857,569.65	-2,425,251.48
Revenue not subject to taxation	-	-
Non-deductible costs, expenses and losses	213,809.17	74,089.54
Impact of changes in tax rate on opening balance of deferred income tax	-11,892,526.60	-
Tax effect of utilizing unrecognized deductible losses and deductible temporary differences from prior years (indicated with "-")	-	-158,998.10
Tax effect of unrecognized deductible losses and deductible temporary differences	8,077,987.79	3,969,398.42
Impact of R&D expenses plus as deductible tax (indicated with "-")	-10,768,931.98	-7,278,283.42
Others	-1,422,198.68	-76,534.71
Income tax expense	-28,142,161.34	20,012,270.59

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

52. Supplementary information to cash flow statement

(1) Supplementary information of cash flow statement

Supplementary information	Amount incurred in the current period	Amount incurred in the previous period
1. Reconciliation of net profit to cash flows		
from operating activities:		
Net profits	-62,092,053.83	140,704,648.43
Add: Impairment losses on assets	71,065,461.71	-463,466.98
Credit impairment loss	4,347,767.97	32,047,693.63
Depreciation of fixed assets, depreciation of investment real estate, and depreciation of right-of-use assets	97,739,585.81	82,528,437.33
Amortization of intangible assets	25,644,320.32	17,149,887.94
Amortization of long-term unamortized expenses	5,435,708.96	11,167,871.87
Loss on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	5,832,369.74	-14,795.59
Losses on scrapping of fixed assets (gains expressed with "-")	-	-
Losses on changes in fair value (gain expressed with "-")	-1,532,437.34	-3,803,187.24
Financial expenses (income expressed with "-")	186,267.40	-2,900,447.22
Investment losses (income expressed with "-")	6,505,500.95	-28,370,315.26
Decrease of deferred income tax assets (increase expressed with "-")	-35,999,777.15	-11,060,064.40
Increase of deferred income tax liabilities (decrease expressed with "-")	4,517,676.63	4,818,518.78
Decrease in inventories (increase expressed with "-")	96,260,992.39	10,154,102.83
Decrease in operating receivable items (increase expressed with "-")	-4,507,651.56	-118,402,627.06
Increase in operating payable items (decrease expressed with "-")	85,089,799.73	70,485,091.50
Others	-73,380,285.34	-
Net cash flow from operating activities	225,113,246.39	204,041,348.56

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

52. Supplementary information to cash flow statement

(1) Supplementary information of cash flow statement

Supplementary information	Amount incurred in the current period	Amount incurred in the previous period
2. Significant investment and financing activities not involving cash receipts and payments:		
Conversion of debts into capital	-	-
Convertible corporate bonds due within one year	-	-
Right-to-use assets added in the current period	26,663,056.74	9,858,818.93
3. Net changes in cash and cash equivalents:		
Closing balance of cash	773,143,342.93	901,387,759.73
Less: Opening balance of cash	901,387,759.73	1,037,397,070.00
Plus: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in monetary funds	-128,244,416.80	-136,009,310.27

(2) Composition of cash and cash equivalents

Item	Closing balance	Balance at the end of the previous year
I. Cash	773,143,342.93	901,387,759.73
Including: Cash on hand	33,594.50	33,031.42
Bank deposit available for payment at any time	760,915,546.37	891,870,113.10
Other monetary capitals available for payment at any time	12,194,202.06	9,484,615.21
II. Cash equivalents		
Of which: Bond investment due within 3 months	-	-
III. Cash and cash equivalents at the end of the period	773,143,342.93	901,387,759.73

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

53. Monetary items denominated in foreign currencies

Item	Foreign balance at the end of the period	Exchange rate	Translated RMB balance at the end of the period
Monetary funds	–	–	64,055,638.14
Of which: USD	8,343,084.17	7.0827	59,091,562.27
HKD	5,477,805.98	0.9062	4,963,995.94
EUR	10.17	7.8592	79.93

VI. RESEARCH AND DEVELOPMENT EXPENSES

1. Research and development expenses

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Amount expensed	Amount capitalized	Amount expensed	Amount capitalized
Employee compensation	121,921,487.16	62,935,040.38	128,065,381.06	33,981,777.00
Rents & leases	4,172,260.15	–	680,960.70	–
Materials and equipment costs	4,074,140.10	–	–	–
Outsourcing service fee	2,354,442.51	46,240,448.09	2,243,369.54	37,675,497.49
Depreciation and amortization	226,819.73	–	3,500,492.04	–
Others	1,827,515.77	–	2,804,663.76	1,423,773.59
Total	134,576,665.42	109,175,488.47	137,294,867.10	73,081,048.08

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VI. RESEARCH AND DEVELOPMENT EXPENSES (continued)

2. Development expenditure

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditure	Other increases	Recognized as intangible assets	Provision for impairment	
Phase 1 of the new medical insurance platform	73,081,048.08	46,062,620.54	-	119,143,668.62	-	-
Phase 2 of the new medical insurance platform	-	32,129,205.29	-	-	-	32,129,205.29
Multi-level medical insurance digital service platform project	-	30,983,662.64	-	-	-	30,983,662.64
Others	5,561,482.08	-	-	-	5,561,482.08	-
Total	78,642,530.16	109,175,488.47	-	119,143,668.62	5,561,482.08	63,112,867.93

(1) Significant capitalized research and development projects

Item	Progress of R&D	Expected time of completion	Expected generation of economic benefits	Time of capitalization	Specific basis for capitalization
Phase 1 of the new medical insurance platform	Completed	April 2023	Operation and maintenance income from platform	September 2022	Resolution by the Board of Directors
Phase 2 of the new medical insurance platform	In progress	December 2024	Operation and maintenance income from platform	April 2023	Resolution by the Board of Directors
Multi-level medical insurance digital service platform project	In progress	May 2026	Operation and maintenance income from platform	May 2023	Resolution by the office meeting of General Manager

(2) Provision for impairment of development expenditure

Item	Opening balance	Provision for the current period	Decrease for the current period	Closing balance
Others	127,399.77	5,561,482.08	-	5,688,881.85

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Type of legal entity	Registered capital	Principal operating location	Place of registration	Business nature	Percentage of shareholding (%)		Acquisition method
						Direct	Indirect	
Capinfo Technology	Other limited liability company	51,940,643.00	Beijing	Beijing	Information technology	71.24	-	Set up by investment
Capinfo Hong Kong	Company limited by shares	2.12	Hong Kong	Hong Kong	Investment	100.00	-	Set up by investment
Parking Management	Limited liability company (sole legal person)	20,000,000.00	Beijing	Beijing	Information technology	100.00	-	Set up by investment
Rito Info	Limited liability company	20,000,000.00	Xiamen	Xiamen	Information technology	100.00	-	Business combination involving entities not under common control
Capinfo Medical United	Limited liability company (sole legal person)	50,000,000.00	Beijing	Beijing	Information technology	100.00	-	Set up by investment
Capinfo Cloud Technology	Other limited liability company	50,000,000.00	Beijing	Beijing	Information technology	37.00	-	Set up by investment

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Notes:

- ① The Group did not issue share capital or securities as at 31 December 2023.
- ② Capinfo Cloud Technology is jointly established by the Company and Capnet. According to the Articles of Association of Capinfo Cloud Technology, the registered capital is RMB50 million, the Company subscribes RMB18.5 million, the shareholding percentage is 37%, and the maturity of subscription is 31 December 2018. Capnet subscribes RMB31.5 million, the shareholding percentage is 63%, and the maturity of subscription is 31 December 2037; the Company includes it into the scope of the consolidated statement because of:
- A. As of 31 December 2023, the paid-up capital contribution of the Group is RMB18.5 million, representing 100% of the 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 percentage.
- B. There will be no the board of directors or the board of supervisors of Capinfo Cloud Technology but it has executive directors and supervisors. The executive directors and supervisors are nominated by the Company and elected on the general meeting; Capnet has managers who are nominated by the Company and appointed or dismissed by the executive directors.

(2) Key non-wholly owned subsidiaries

Name of subsidiary	Share percentage of minority shareholders %	Profit and loss attributable to minority interests for the period	Dividends declared to minority shareholders for the period	Balance of minority interests at the end of the period
Capinfo Technology	28.76	11,060,777.62	11,576,839.97	58,107,795.39

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(3) Main financial information of key non-wholly owned subsidiaries

Name of subsidiary	Closing balance		Total assets
	Current assets	Non-current assets	
Capinfo Technology	572,631,758.92	16,570,734.25	589,202,493.17

Name of subsidiary	Closing balance		Total liabilities
	Current liabilities	Non-current liabilities	
Capinfo Technology	386,841,184.14	351,173.05	387,192,357.19

Continued (1):

Name of subsidiary	Balance at the end of the previous year		
	Current liabilities	Non-current liabilities	Total liabilities
Capinfo Technology	501,898,650.67	19,767,324.16	521,665,974.83

Name of subsidiary	Balance at the end of the previous year		
	Current liabilities	Non-current liabilities	Total liabilities
Capinfo Technology	315,148,409.34	2,713,409.93	317,861,819.27

Continued (2):

Name of subsidiary	Amount incurred in the current period			
	Operating revenue	Net profits	Total	
			comprehensive income	Cash flows from operating
Capinfo Technology	563,232,157.26	38,452,475.30	38,452,475.30	45,013,228.22

Name of subsidiary	Amount incurred in the previous period			
	Operating revenue	Net profits	Total	
			comprehensive income	Cash flows from operating
Capinfo Technology	493,691,637.39	42,111,615.00	42,111,615.00	107,803,651.47

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint arrangement or associates

(1) Significant associates

Name of associate	Main business location	Place of registration	Business nature	Percentage of shareholding (%)		The accounting method for investments in joint ventures or associates
				Direct	Indirect	
BJCA	Beijing	Beijing	Scientific research and technology services	26.24	–	Equity method

Note: BJCA was listed on GEM, Shenzhen Stock Exchange. The stock market value held by the Company based on the closing price as at 31 December 2023 was RMB1,831,816,270.56.

(2) Main financial information of significant associates:

Item	BJCA	
	Amount as at the end of the period	Amount as at the beginning of the period
Current assets	1,184,989,161.31	1,291,220,848.92
Non-current assets	325,609,547.55	287,468,014.41
Total assets	1,510,598,708.86	1,578,688,863.33
Current liabilities	571,876,210.27	600,240,902.70
Non-current liabilities	24,651,207.99	31,366,926.04
Total liabilities	596,527,418.26	631,607,828.74
Net assets	914,071,290.60	947,081,034.59
Incl: Minority interests	10,400,826.52	9,289,423.38
Owners' equity attributable to the parent company	903,670,464.08	937,791,611.21
Share of net assets based on percentage of shareholding	237,082,620.23	246,034,479.64
Book value of equity investment to associate	237,082,620.23	246,034,479.64
Fair value of equity investment with quoted price	1,831,816,270.56	1,709,270,170.48

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint arrangement or associates (continued)

(2) Main financial information of significant associates: (continued)

Continued:

Item	BJCA	
	Amount incurred in the current period	Amount incurred in the previous period
Operating revenue	972,471,946.36	1,099,414,587.12
Net profits	-47,491,545.21	103,261,230.96
Of which: Net profit attributable to the company	-47,202,414.73	101,438,777.69
Net profit from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	-47,491,545.21	103,261,230.96
Dividend receivable from associate during the period	2,479,256.36	4,722,393.10

(3) Summarized financial information of other non-significant associates

Item	Balance at the end of the previous period/Amount for current period	Balance at the end of the previous period/Amount for last period
Associates:		
Total book value of investments	-	518,677.55
Total of the followings based on the percentage shareholdings		
Net profits	-	-2,360,473.16
Total comprehensive income	-	-2,360,473.16

Note: Beijing Culture and Sports Technology Co., Ltd. (北京文化體育科技有限公司) was deregistered on 10 April 2023.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VIII. GOVERNMENT GRANTS

1. Government grants included in other receivables

The Group has no government grants included in other receivables.

2. Government grants included in deferred income

Grants	Opening balance	Increase for the period	Decrease for the period	Closing balance	Causes
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	326,923.08	-	72,649.57	254,273.51	Government grants
Financial subsidies from Beijing Tongzhou District Science and Technology Commission	1,500,000.00	-	1,500,000.00	-	Government grants
Total	1,826,923.08	-	1,572,649.57	254,273.51	-

Government grants included in deferred income and subsequently measured using the gross method

Grants	Type	Opening balance	Increase in grant during the period	Amounts carried forward into the profits and losses in the period	Other changes	Closing balance	Items carried forward into the profits and losses in the period	Related to asset/income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	Fiscal appropriation	326,923.08	-	72,649.57	-	254,273.51	Other income	Related to asset
Financial subsidies from Beijing Tongzhou District Science and Technology Commission	Fiscal appropriation	1,500,000.00	-	1,500,000.00	-	-	Other income	Related to income
Total	-	1,826,923.08	-	1,572,649.57	-	254,273.51	-	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

VIII. GOVERNMENT GRANTS (continued)

3. Government grants included in profits and losses in the current period measured using the gross method

Grants	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 asset/income
Financial subsidies from Beijing Tongzhou District Science and Technology Commission	Fiscal appropriation	1,500,000.00	Other income	Related to income
Subsidy for the Third Batch of High-tech Enterprises for "transition from small to large-scale" for 2023	Fiscal appropriation	200,000.00	Other income	Related to income
Incentive Fund for Beijing Fengtai Investment Promotion Service Center	Fiscal appropriation	184,300.00	Other income	Related to income
R&D subsidy	Fiscal appropriation	150,000.00	Other income	Related to income
Haidian District Employment Subsidy for Disabled Persons	Fiscal appropriation	119,584.81	Other income	Related to income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	Fiscal appropriation	72,649.57	Other income	Related to asset
Employment subsidy	Fiscal appropriation	65,405.00	Other income	Related to income
Others	Fiscal appropriation	7,832.32	Other income	Related to income
Total	-	2,299,771.70	-	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT

1. Objectives and Policies of Risk Management

The Group's objective in risk management is to achieve an appropriate equilibrium between risk and return, seeking to minimize the adverse impact of the financial risk on the Group's financial performance. Based on the objectives of risk management, the Group has formulated risk management policies to identify and analyze risks that the Group faces, set an appropriate level for risk tolerance, and designed corresponding internal control procedures to monitor the risk position of the Group. The Group reviews the policies of risk management and internal control procedures on a regular basis, to adapt itself to the changes in the market and business activities of the Group. The Internal Audit Department of the Group also reviews the implementation of the internal control procedures regularly or randomly in accordance 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 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Objectives 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 canceling 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.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial asset illustrated in the balance sheet. The Group does not provide any guarantee that might cause credit risk to the Group. 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 and contract assets of the Group, the aggregate amount of accounts receivable and contract assets attributable to the top five customers account for 34.69% of the aggregate amount of closing balance of accounts receivable and contract assets of the Group. Other receivables attributable to the top five companies account for 41.35% of the Group's total other receivables.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Objectives and Policies of Risk Management (continued)

(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 the liquidity risk, the Group maintains and monitors an adequate level of cash and cash equivalents as deemed by the Management, to finance its operations and mitigate the effect of fluctuations in cash flows. The Management of the Group monitors the use of bank loans and ensures that bank loans are used in accordance with loan agreements. At the same time, the Company obtains commitments from major financial institutions to secure sufficient reserve funds, to satisfy short and long-term capital needs.

The financial assets and liabilities held by the Group at end of period are analyzed at terms of the remaining undiscounted contractual cash flows as follows (expressed in RMB0'000):

	Closing balance		Total
	Within one year	More than one year	
Financial assets:			
Monetary funds	81,409.76	–	81,409.76
Notes receivable	7.66	–	7.66
Accounts receivable	46,336.19	–	46,336.19
Other receivables	7,356.43	–	7,356.43
Other current assets	113.79	–	113.79
Other non-current assets	–	10,665.26	10,665.26
Total financial assets	135,223.83	10,665.26	145,889.09
Financial liabilities:			
Notes payable	166.98	–	166.98
Accounts payable	39,896.98	–	39,896.98
Other payables	34,984.52	–	34,984.52
Non-current liabilities due within one year	6,353.63	–	6,353.63
Lease liabilities	–	1,919.75	1,919.75
Total financial liabilities	81,402.11	1,919.75	83,321.86

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Objectives and Policies of Risk Management (continued)

(2) Liquidity risk (continued)

The financial assets and liabilities held by the Group at end of the previous year are analyzed at terms of the remaining undiscounted contractual cash flows as follows (expressed in RMB0'000):

Item	Balance at the end of the previous year		Total
	Within one year	More than one year	
Financial assets:			
Monetary funds	92,341.70	–	92,341.70
Notes receivable	5.83	–	5.83
Accounts receivable	45,202.70	–	45,202.70
Other receivables	6,676.15	–	6,676.15
Other current assets	195.43	–	195.43
Other non-current assets	–	10,310.26	10,310.26
Total financial assets	144,421.81	10,310.26	154,732.07
Financial liabilities:			
Accounts payable	34,807.21	–	34,807.21
Other payables	29,258.32	–	29,258.32
Non-current liabilities due within one year	8,322.90	–	8,322.90
Lease liabilities	–	357.51	357.51
Total financial liabilities	72,388.43	357.51	72,745.94

The amounts of financial liabilities disclosed in the table above are undiscounted contractual cash flows and therefore may differ from the carrying amounts in the balance sheet.

(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 exchange risk and other price risk.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Objectives 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 the exchange rate. The Company's exchange rate risk mainly comes 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 and U. S. 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.

As at 31 December 2023, the amounts in RMB translated from the assets denominated in foreign currencies held by the Group were summarized as follows (Unit: RMB'000):

Item	Assets denominated in foreign currencies	
	Closing balance	Balance at the end of the previous year
US\$	5,909.16	5,810.38
HKD	496.40	489.25
EUR	0.01	0.01
Total	6,405.57	6,299.64

The Group closely monitors the impact of changes in exchange rates on the Group's exchange rate risk. 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.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Objectives and Policies of Risk Management (continued)

(3) Market risk (continued)

Exchange rate risk (continued)

As at 31 December 2023, 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 RMB6,405,600.

2. Capital Management

The purpose of the capital management policy of the Group is to ensure the Group's ability to operate on a going concern basis and bring return for shareholders and other stakeholders as well as maintaining the best capital structure to reduce capital costs.

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 Company monitors its capital structure on the basis of gearing ratio (total liabilities divided by total assets). As at 31 December 2023, the Group's gearing ratio was 51.83%.

X. 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 2023 (All amounts in RMB unless otherwise stated)

X. FAIR VALUE (continued)

(1) Items and amounts measured at fair value

As at 31 December 2023, assets and liabilities measured at fair value are listed as follows based on the three hierarchies set out above:

Item	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss				
Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥))	-	-	51,300,941.47	51,300,941.47
(II) Held-for-sale assets				
E-government asset group	-	30,257,681.13	-	30,257,681.13
Total assets continuously measured at fair value	-	30,257,681.13	51,300,941.47	81,558,622.60

(2) Information related to level 2 fair value measurement

Content	Ending fair value	Valuation techniques	Inputs
E-government network asset group	30,257,681.13	Quoted prices in markets that are not active	Transaction price

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

X. FAIR VALUE (continued)

(3) The quantitative information of important unobservable input used in the Level 3 fair value measurement

Content	Ending 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))	51,300,941.47	Net assets	-	-

Notes:

- As Beijing Jingguosheng Investment Fund (Limited Partnership) (北京京國盛投資基金(有限合夥)) has adopted a fair value to measure its investment, its net book value of assets multiplied by its shareholding percentage was used as the best estimate of fair value of equity in Beijing Jingguosheng Investment Fund (Limited Partnership).
- 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

Item	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 balance	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))	37,133,667.59	-	-	1,532,437.34	-	24,280,000.00	-	-	11,645,163.46	51,300,941.47	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information on the parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital (RMB0'000)	Parent company's shareholding percentage to the Company %	Parent company's percentage of voting rights to the Company %
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
BJCA	Associate

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Information on other related parties of the Group

Name of related parties	Relations with the Group
China Beijing Equity Exchange Limited (hereinafter referred to as "Beijing Equity Exchange")	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
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
National Sport Stadium Co., Ltd. (hereinafter referred to as "National Stadium")	The same ultimate controlling party
Beijing Science Park Development (Group) Co., Ltd. (hereinafter referred to as "Beijing Science Development")	The same ultimate controlling party
Beijing Science Holding Land Co., Ltd. (hereinafter referred to as "Beijing Science Land")	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

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Information on other related parties of the Group (continued)

Name of related parties	Relations with the Group
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 Bird's Nest Culture Creative Co., Ltd. (hereinafter referred to as "Bird's Nest Culture")	The same ultimate controlling party
Changchun Beihu Science and Technology Park Development Co., Ltd. (hereinafter referred to as "Beihu Science Park")	The same ultimate controlling party
Beijing Beike Yichuang Technology Co., Ltd. (hereinafter referred to as "Beike Yichuang")	The same ultimate controlling party
Jiaxing Innovation Park Development Co., Ltd. (hereinafter referred to as "Jiaxing Innovation Park")	The same ultimate controlling party
Beijing Registration and Clearing Co., Ltd. (hereinafter referred to as "Registration and Clearing")	The same ultimate controlling party
Shanghai Kehuan Investment Co., Ltd. (hereinafter referred to as "Kehuan Investment")	The same ultimate controlling party
Beijing Guo Xu Microfinance Company Limited (hereinafter referred to as "Guo Xu Microfinance")	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
Qingdao Blue Biotechnology Park Development Co., Ltd. (hereinafter referred to as "Blue Biotechnology Park")	The same ultimate controlling party
Tianjin Beike Real Estate Co., Ltd. (hereinafter referred to as "Tianjin Beike Real Estate")	The same ultimate controlling party
Wuxi Z-Park Development Co., Ltd. (hereinafter referred to as "Wuxi Z-Park")	The same ultimate controlling party
Beijing Guorong Chuangyin Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Guorong Chuangyin")	The same ultimate controlling party

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions

(1) Information on related party purchases and sales

① Purchase of goods and receipt of services

Related parties	Subjects of related party transactions	Amount incurred in the current period (RMB0'000)	Amount incurred in the previous period (RMB0'000)
Capnet	Purchase of relevant services	423.72	304.39
BJCA	Purchase of network security system service and purchase of assets	2,058.69	861.89
Software and Information Service Exchange	Purchase of network system and relevant technical service	8.43	32.84
Registration and Clearing	Purchase of network system and relevant technical service	–	26.42
Beijing Crystal Digital	Purchase of network system and relevant technical service	9.04	3.39
Bird's Nest Culture	Purchase of network system and relevant technical service	–	0.14

The prices of the Group's transactions with related parties are determined at market prices.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. 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 incurred in the current period (RMB0'000)	Amount incurred in the previous period (RMB0'000)
Capnet	Provision of network system and relevant operation and maintenance services	1,044.34	886.79
BSAM	Provision of network system and relevant technical service	661.12	761.05
Beijing Science Land	Provision of network system and relevant technical service	66.51	427.78
Beijing Industrial Development	Provision of network system and relevant technical service	6.12	141.01
BJCA	Provision of network system and relevant operation and maintenance services	161.07	43.70
National Stadium	Provision of network system and relevant technical service	–	35.85
Industrial Development	Provision of network system and relevant technical service	3.55	18.29
Finance Re-guarantee	Provision of network system and relevant technical service	42.39	15.57
BST	Provision of network system and relevant technical service	–	12.26
Beike TEDA	Provision of network system and relevant technical service	13.28	11.50
National Swimming Centre	Provision of network system and relevant technical service	2.14	11.21
Jizhi Future	Provision of network system and relevant technical service	49.53	10.60
Beijing Crystal Digital	Provision of network system and relevant technical service	–	2.41

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. 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 incurred in the current period (RMB0'000)	Amount incurred in the previous period (RMB0'000)
Artists Corporation	Provision of network system and relevant technical service	3.81	–
Guohua Wenke Finance Guarantee	Provision of network system and relevant technical service	10.38	–
Beijing Guotong Asset	Provision of network system and relevant technical service	4.87	–
Beijing Equity Exchange	Provision of network system and relevant technical service	6.29	–
Guoyuan Sports & Culture	Provision of network system and relevant technical service	1.22	–
Beijing State-owned Financial Leasing	Provision of network system and relevant technical service	2.23	–
Beijing Science Development	Provision of network system and relevant technical service	990.15	–
Dynagreen Group	Provision of network system and relevant technical service	11.49	–
Beike Yichuang	Provision of network system and relevant technical service	123.98	–
Blue Biotechnology Park	Provision of network system and relevant technical service	0.46	–
Tianjin Beike Real Estate	Provision of network system and relevant technical service	2.21	–
Jiaxing Innovation Park	Provision of network system and relevant technical service	1.54	–

The prices of the Group's transactions with related parties are determined at market prices.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(2) Related lease

Lease

Name of lessor	Type of leased asset	Lease payments payable in the current period	Lease payments payable in the previous period
Longfu Culture	Office premise	16,681,375.48	18,212,971.08
Jizhi Future	Office premise	1,579,012.98	–

The building rental fees between the Group and related parties are determined at market prices.

Increase of right-of-use assets recognized as a lessee in the current year:

Name of lessor	Type of leased assets	Increase for the current period	Increase for the previous period
Jizhi Future	Office premise	25,523,352.29	–

Interest expense on lease liabilities borne as a lessee in the current year:

Name of lessor	Type of leased assets	Interest expense for the current period	Interest expense for the previous period
Longfu Culture	Office premise	415,457.20	1,282,036.30
Jizhi Future	Office premise	244,678.63	–

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(3) Other related party transactions

① Utilities

Lessor	Subjects of related party transactions	Method of pricing and procedure for decision-making in respect of related party transactions	Amount incurred in the current period (RMB0'000)	Amount incurred in the previous period (RMB0'000)
BXLE Property	Utilities	Based on prevailing market price	88.51	90.44

② 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 Jizhi Future, 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. In 2022, the Company made an additional capital contribution of RMB19,530,480.35. Capital contributions of RMB2,000,000.00 were received from the partnership. In 2023, the Company made an additional capital contribution of RMB24,280,000.00. Capital contributions of RM11,645,163.46 were received from the partnership.

(4) Compensation of key management personnel

The compensation of key management personnel is set out in Note XIV.3.

(5) Loans to directors, legal entities controlled by these directors or entities connected to these directors

From 2022 to 2023, the Group did not provide loans to directors, legal entities controlled by these directors, or entities connected to such directors.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties

(1) Amounts receivable from related parties

Name of item	Related parties	Closing balance		Balance at the end of the previous year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Capnet	1,971,698.13	25,632.08	9,116,981.13	91,169.81
Accounts receivable	Beijing Science Land	2,327,072.54	434,453.03	2,160,489.41	21,604.89
Accounts receivable	International Trust	1,420,600.00	1,365,722.80	1,521,374.00	1,404,093.50
Accounts receivable	BeiAo Group	80,538.50	80,538.50	230,538.50	23,053.85
Accounts receivable	National Stadium	35,000.00	35,000.00	168,480.80	68,370.20
Accounts receivable	BFAE	-	-	67,500.00	67,500.00
Accounts receivable	Beijing Industrial Development	203.77	94.41	62,100.00	15,525.00
Accounts receivable	BJCA	1,389,623.93	397,918.88	50,884.00	8,881.00
Accounts receivable	Dynagreen Group	4,850.00	63.05	39,989.00	399.89
Accounts receivable	Industrial Development	15,470.74	13,523.01	13,047.37	12,894.54
Accounts receivable	Beijing Guotong Asset	10,328.40	10,328.40	10,328.40	10,328.40
Accounts receivable	Guoyuan Sports & Culture	458.493	212.42	7,015.84	1,753.96
Accounts receivable	Jizhi Future	458.49	212.42	3,600.00	900.00
Accounts receivable	BSAM	57,975.45	13,560.45	-	-
Accounts receivable	Xinlongfu Culture	1,841,203.77	444,511.81	-	-
Accounts receivable	Beike Yichuang	172,392.55	9,774.66	-	-
Accounts receivable	Beijing Huayu Energy Technology	27,150.00	27,150.00	-	-
Accounts receivable	BFAE	67,500.00	67,500.00	-	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(1) Amounts receivable from related parties (continued)

Name of item	Related parties	Closing balance		Balance at the end of the previous year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Beijing Science Development	2,916,810.49	225,615.72	-	-
Accounts receivable	Beike TEDA	21,710.70	1,231.00	-	-
Accounts receivable	Jiaxing Innovation Park	502.72	28.50	-	-
Accounts receivable	Wuxi Z-Park	723.69	41.03	-	-
Prepayments	BJCA	1,376,592.12	-	1,473,794.65	-
Prepayments	BXLE Property	136,957.54	-	-	-
Other receivables	Capnet	12,763,374.39	-	-	-
Other receivables	Xinlongfu Culture	5,524,889.58	-	-	-
Other receivables	BXLE Property	131,094.00	-	-	-
Other receivables	BSAM	305,999.51	-	-	-
Other receivables	Beijing Equity Exchange	5,798.13	-	5,798.13	-
Other receivables	Software and Information Service Exchange	90,000.00	-	-	-
Other receivables	Jizhi Future	722,490.00	-	-	-
Other receivables	BeiAo Group	400.00	-	400.00	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(2) Amounts payable to related parties

Name of item	Related parties	Closing balance	Balance at the end of the previous year
Accounts payable	BJCA	19,124,002.34	9,367,651.96
Accounts payable	Capnet	1,400.00	481,850.00
Accounts payable	Software and Information Service	24,000.00	24,000.00
	Exchange		
Accounts payable	Jizhi Future	977,901.12	275,590.66
Accounts payable	Xinlongfu Culture	3,297,722.02	-
Contract liabilities	BJCA	528,318.38	-
Contract liabilities	Finance Re-guarantee	2,766,093.51	2,151,568.48
Contract liabilities	BSAM	7,013,105.15	1,920,612.40
Contract liabilities	Beike TEDA	145,410.83	373,246.45
Contract liabilities	Beijing Science Development	2,344,740.44	307,563.76
Contract liabilities	National Stadium	148,140.64	205,410.89
Contract liabilities	Beijing State-owned Financial	281,241.50	198,883.95
	Leasing		
Contract liabilities	Beijing Industrial Development	105,612.26	139,095.75
Contract liabilities	Industrial Development	179,093.40	90,651.09
Contract liabilities	Beijing Guotong Asset	39,143.40	86,860.39
Contract liabilities	International Trust	-	81,645.01
Contract liabilities	Guohua Wenke Finance Guarantee	47,169.81	70,754.72
Contract liabilities	BeiAo Group	37,240.75	67,033.02
Contract liabilities	Beijing Equity Exchange	30,959.43	62,862.26

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(2) Amounts payable to related parties (continued)

Name of item	Related parties	Closing balance	Balance at the end of the previous year
Contract liabilities	Dynagreen Group	37,725.47	61,119.81
Contract liabilities	Artists Corporation	19,054.72	38,109.44
Contract liabilities	National Swimming Centre	2,264.15	21,423.11
Contract liabilities	Beijing Huayu Energy Technology	-	10,566.04
Contract liabilities	BST	-	7,547.17
Contract liabilities	Guoyuan Sports & Culture	3,500.00	3,141.51
Contract liabilities	Xinlongfu Culture	706,603.77	-
Contract liabilities	Kehuan Investment	5,524.60	-
Contract liabilities	Guo Xu Microfinance	18,867.92	-
Contract liabilities	Beihu Science Park	805,172.38	-
Contract liabilities	Jizhi Future	232,916.98	-
Other payables	BSAM	12,000,000.00	12,000,000.00
Other payables	Capnet	7,598,201.05	4,438,555.89
Other payables	Beijing Science Development	84,000.00	84,000.00
Other payables	Jizhi Future	225,501.15	-
Non-current liabilities	Jizhi Future	5,194,661.65	-
due within 1 year			
Lease liabilities	Jizhi Future	18,994,356.32	-

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XII. COMMITMENTS AND CONTINGENCIES

1. Principal commitments

(1) Capital commitments

Capital commitments contracted but not yet confirmed in the financial statements	Closing balance	Balance at the end of the previous year
Commitment to acquisition and construction of long- term assets		
– Contracted but not executed	19,911,887.96	17,088,947.31
– Authorized but not contracted	66,645,953.85	55,618,397.19
Total	86,557,841.81	72,707,344.50

(2) Other commitments

As of 31 December 2023, the Group had no other disclosable commitments.

2. Contingencies

As of 31 December 2023, save as disclosed in Note XIV.4, the Group has no pending lawsuits, external guarantees and other contingencies that should be disclosed.

XIII. POST BALANCE SHEET EVENTS

As of 28 March 2024 (the date of the approval of the report by the Board), the Group did not have any disclosable post-balance sheet event.

XIV. OTHER SIGNIFICANT EVENTS

1. Correction of prior period errors

The Group has no correction of prior period errors in this year.

2. Segment Reporting

Apart from the principal business, the Group does not operate any other business that has a significant impact on the results of operations. As the Group operates in only one geographical region, its revenue is mainly derived from the PRC and its major assets are located within the PRC. Therefore, the Group is not required to disclose segment data.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Compensation of Directors, Supervisors and Key Management

(1) Compensation of Directors, Supervisors and Key Management

The remuneration of each of the Directors, Supervisors and key management in 2023 was as follows: (unit: RMB'000)

Title	Name	Directors Fees	Salaries, allowances and subsidies	Retirement benefit scheme contributions	Total
Chairman, Executive Director	Yu Donghui	-	116.38	9.14	125.52
Executive Director, General Manager	Zhang Yiqian	-	116.38	9.13	125.51
Executive Director	Zong Zhaoxing (Resigned)	-	48.73	4.43	53.16
Executive Director	Yang Yongxin (Replaced Zong Zhaoxing, and subsequently resigned)	-	49.49	4.71	54.20
Non-executive Director	Yan Yi	-	-	-	-
Non-executive Director	Zhou Weihua	-	-	-	-
Non-executive Director	Shan Yuhu	-	-	-	-
Non-executive Director	Zhao Shujie (Replaced Shan Yuhu)	-	-	-	-
Non-executive Director	Liang Yi	-	-	-	-
Non-executive Director	Xin Shuangbai (Replaced Liang Yi)	-	-	-	-
Non-executive Director	Feng Jianxun	-	-	-	-
Independent Non-executive Director	Yang Xiaohui	8.00	-	-	8.00
Independent Non-executive Director	Gong Zhiqiang	8.00	-	-	8.00
Independent Non-executive Director	Cheung, Wai Hung Boswell	8.00	-	-	8.00
Independent Non-executive Director	Su Zhongxing	8.00	-	-	8.00
Independent Non-executive Director	Dong Jin	-	-	-	-
Chairman of the Board of Supervisors	Yu Nan	-	-	-	-
Chairman of the Board of Supervisors	Ge Li (Replaced Yu Nan)	-	-	-	-
Supervisor	Zhu Chenlan	-	71.47	8.75	80.22
Supervisor	Ma Xiaoping	-	-	-	-
Deputy General Manager	Xia Xiaoqing	-	95.59	9.14	104.73
Deputy General Manager/ Secretary of the Board	Lu Lei	-	21.23	2.21	23.44
Deputy General Manager/ Chief Financial Officer	Du Xiaoling	-	98.71	9.14	107.85
Deputy General Manager	Wang Liang	-	91.43	9.14	100.57

Notes: Mr. Lu Lei resigned as the deputy general manager of the Company and the secretary to the Board in March 2023. The Company appointed Mr. Wu Ning as the secretary to the Board in March 2023. Mr. Zong Zhaoxing resigned as an executive Director of the Company in June 2023. The Company appointed Mr. Yang Yongxin as an executive Director from June to December 2023.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Compensation of Directors, Supervisors and Key Management (continued)

(1) Compensation of Directors, Supervisors and Key Management (continued)

The remuneration of each of the Directors, Supervisors and key management in 2022 was as follows: (unit: RMB0'000)

Title	Name	Directors Fees	Salaries,	Retirement	Total
			allowances and subsidies	benefit scheme contributions	
Chairman, Executive Director	Yu Donghui	-	130.55	7.22	137.77
Executive Director, General Manager	Zhang Yiqian	-	138.57	7.21	145.78
Executive Director	Zong Zhaoxing	-	109.15	7.22	116.37
Non-executive Director	Yan Yi	-	-	-	-
Non-executive Director	Zhou Weihua	-	-	-	-
Non-executive Director	Shan Yuhu	-	-	-	-
Non-executive Director	Liang Yi	-	-	-	-
Non-executive Director	Feng Jianxun	-	-	-	-
Independent Non-executive Director	Yang Xiaohui	8.00	-	-	8.00
Independent Non-executive Director	Gong Zhiqiang	8.00	-	-	8.00
Independent Non-executive Director	Cheung, Wai Hung Boswell	8.00	-	-	8.00
Chairman of the Board of Supervisors	Yu Nan	8.00	-	-	8.00
Independent Non-executive Director	Su Zhongxing	-	-	-	-
Supervisor	Zhu Chenlan	-	71.26	7.02	78.28
Supervisor	Ma Xiaoping	-	-	-	-
Deputy General Manager	Xia Xiaoqing	-	107.96	7.22	115.18
Deputy General Manager/ Secretary of the Board	Lu Lei	-	102.02	7.22	109.24
Deputy General Manager/ Chief Financial Officer	Du Xiaoling	-	109.15	7.22	116.37
Deputy General Manager	Wang Liang	-	105.59	7.22	112.81

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Compensation of Directors, Supervisors and Key Management (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. (2022: 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 (2022: 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 (2022: 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, legal entities controlled by 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 (2022: 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 (2022: nil).

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Compensation of Directors, Supervisors and Key Management (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, one acted as executive Director and General Manager (2022: one acted as executive Director and Chairman, one acted as executive Director and General Manager, and one executive Director). Details of their remuneration are shown in Note XIV.3 (1). Details of remuneration of the remaining three (2022: two) non-directors and non-key management personnel are set out as follows:

Item	Amount for the current period (RMB0'000)	Amount for the previous period (RMB0'000)
Basic salaries and allowances	325.34	217.11
Retirement benefit scheme contributions	27.43	14.44
Total	352.77	231.55

Number of the highest paid employees who are non-directors and non-key management personnel within the following remuneration range is set out as follows:

Item	Number of employees	
	Closing balance	Opening balance
HK\$0 to HK\$1,000,000	–	–
HK\$1,000,000 to HK\$1,500,000	3.00	2.00
Total	3.00	2.00

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

4. Progress of cases

On 21 July 2014, the Company entered into a share transfer agreement with Xiamen Ruitailong Investment Development Company Limited* (廈門銳泰隆投資發展有限公司) and other transferors (the "Former Shareholders") to acquire the equity interest of Rito Info. On the ground that the Former Shareholders were suspected of exaggeration of financial performance for the period under assessment, in order to protect the interests of the Company and its Shareholders, a new legal proceeding was instituted by the Company in the Beijing First Intermediate People's Court (北京市第一中級人民法院) on 3 April 2023, to seek legal action against the Former Shareholders according to law, requesting, among other things, the revocation of the share transfer agreement and the refund of the consideration paid for the share transfer. The Company applied for property preservation on 25 April 2023, and the preservation measures shall be limited to RMB335,995,436.60. The Beijing First Intermediate People's Court (北京市第一中級人民法院) made a civil judgment and imposed preservation measures on the Former Shareholders in accordance with the law. During the trial of the case, the Former Shareholders counterclaimed that the Company should continue to pay the third installment of the consideration for the share transfer in accordance with the share transfer agreement in dispute, and filed an application for property preservation. The Beijing First Intermediate People's Court (北京市第一中級人民法院) ruled to freeze the bank deposits of the Company in the amount of RMB21,428,269.54. As of 31 December 2023, the case is still in the process of hearing.

Notes to the Financial Statements

Year 2023 (All amounts in RMB unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION

1. Earnings per Share

(1) Basic earnings per share

Item	Amount incurred in the current period	Amount incurred in the previous period
Net profit attributable to the Company's ordinary shareholders	-72,906,433.12	128,591,326.60
Weighted average number of ordinary shares outstanding of the Company	2,898,086,091	2,898,086,091
Basic earnings per share	-0.025	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 2023 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 RMB1.75 cents (before tax) per share for the year ended 31 December 2021 at the annual general meeting convened on 16 June 2023. Final dividend for 2022 approved during the year amounted to RMB50,716,506.59 (final dividend for 2021 approved during 2022 amounted to RMB8,404,449.66).

Capinfo Company Limited
28 March 2024

DEFINITION

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/Company	Capinfo Company Limited* (首都信息發展股份有限公司)
Capinfo Hong Kong	Capinfo (Hong Kong) Co., Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.* (首都信息科技發展有限公司)
Capinfo Medical United	Capinfo Medical United Information Technology Company Limited* (首信醫聯信息技術有限公司)
Capinfo Cloud Technology	Capinfo Cloud Technology Co., Ltd.* (首信雲技術有限公司)
Parking Management	Beijing Parking Management Centre Co., Ltd.* (北京市停車管理中心有限公司)
Rito Info	Rito Info Technology Co., Ltd.* (廈門融通信息技術有限責任公司)
Beijing Digital Intelligence	Beijing Digital Intelligence Technology Co., Ltd.* (北京數智先行科技有限責任公司)
BJCA	Beijing Certificate Authority Co., Ltd.* (北京數字認證股份有限公司)
BST	Beijing Culture & Sports Technology Co., Ltd.* (北京文化體育科技有限責任公司)
Capinfo Soft	Capinfo Soft Co., Ltd.* (遼寧眾信同行軟件開發有限公司)
BSAM	Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司)
Capnet	Capnet Company Limited* (北京首信網創網絡信息服務有限責任公司)
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)
Jizhi Future	Beijing Jizhi Future Artificial Intelligence Industry Innovation Base Co., Ltd.* (北京集智未來人工智能產業創新基地有限公司)
Beijing Equity Exchange	China Beijing Equity Exchange Co., Ltd.
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 2023
Reporting Period	the period from 1 January 2023 to 31 December 2023

* 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*)

Non-executive Directors

Ms. Yan Yi

Mr. Zhou Weihua

Mr. Xin Shuangbai

Ms. Zhao Shujie

Mr. Feng Jianxun

Independent Non-executive Directors

Mr. Yang Xiaohui

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Su Zhongxing

Mr. Dong Jin

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

Mr. Dong Jin

RULE OF LAW AND COMPLIANCE COMMITTEE

Mr. Yu Donghui (*Chairman*)

Mr. Zhang Yiqian

Mr. Gong Zhiqiang

BOARD OF SUPERVISORS

Ms. Ge Li (*Chairman*)

Ms. Ma Xiaoping

Ms. Zhu Chenlan

SECRETARY OF THE COMPANY

Ms. Koo Ching Fan

SECRETARY OF THE BOARD

Mr. Wu Ning (*General Counsel*)

LEGAL REPRESENTATIVE

Mr. Yu Donghui

CORPORATE INFORMATION

COMPANY WEBSITE

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H SHARE STOCK CODE

1075

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Hong Kong law advisor

Jia Yuan Law Offices
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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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Fax: (852) 28650990

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