

Stock Code: 002410

Stock Abbreviation: Glodon

Announcement No.: 2024-015

Glodon Company Limited

Annual Report 2023 (Summary)

I. Important Notice

This summary of annual report is abstracted from the full text of the Annual Report 2023. In order to fully understand the Company's operating results, financial position and future development plans, investors are advised to carefully read the full text of the Annual Report 2023 on the media designated by the China Securities Regulatory Commission.

This English version of the Annual Report 2023 (Summary) is translated from the Chinese version of the same. In case of discrepancy, the Chinese version disclosed by the Company shall prevail.

All Directors attended the board meeting to review this report in person, except for the following director:

Name of the absent director	Title of the absent director	Reason for absence	Name of the delegate
Liu Qian	Director	Reasons related to work	Wu Zuomin

Non-standard audit opinion notification

Applicable Not applicable

The profit distribution proposal for ordinary shares or the proposal to capital reserve capitalization for the Reporting Period as considered by the Board of Directors

Applicable Not applicable

Whether to implement capital reserve capitalization

Yes No

The profit distribution plan of the Company considered and approved by the Board of Directors is as follows: a cash dividend of RMB0.70 (including tax) for every 10 shares held by all the Shareholders, based on the total share capital of the Company as of the date of registration of shareholdings when implementing the profit distribution plan in 2024, no bonus shares will be issued and no shares will be converted from capital reserve into share capital.

Profit distribution proposal for preferred shares during the Reporting Period passed by the Board of Directors

Applicable Not applicable

II. Company Profile

1. Company Information

Stock abbreviation	Glodon	Stock code	002410
Stock Exchange	Shenzhen Stock Exchange		
Contact information	Board secretary	Securities affairs contact	
Name	Li Shujian	Cheng Yan	
Office address	E-13, 10 Xibeiwang East Road, Haidian District, Beijing, China	E-13, 10 Xibeiwang East Road, Haidian District, Beijing, China	
Fax	010-5640 3335	010-5640 3335	
Tel	010-5640 3059	010-5640 3059	
Email	ir@glodon.com	ir@glodon.com	

2. Main Business of the Company

1. Overview of Our Business

The Company envisions itself as a digital building platform service provider based in the construction industry that provides its clients with professional construction engineering software and hardware products, solutions and services. The Company serves all parties involved in the engineering project life cycle, including developers, designers, consultants, constructors, manufacturers, suppliers, and operators. With specialized applications in construction engineering serving as the core essential support and industry big data and industrial chain finance serving as value-added services, the Company provides full-lifecycle solutions for digital buildings, drives high-quality development of construction enterprises through systematic digital capabilities.

The Company's businesses are divided into three major business segments and several innovation business units based respectively on business stages and client type, namely the Construction Cost business segment, Construction Management business segment, and Digital Design business segment; the several innovative business units include Digital Developer, Digital City, Digital Supply & Procurement, Digital Education and Digital Finance. The businesses are also divided into domestic and overseas businesses.

The Construction Cost segment mainly provides software products and data services to all industry participants involved in construction project management, and it includes traditional cost sets such as Glodon Quantity Takeoff products, National Standard Pricing products, and Engineering Information products.

Leveraging its accumulated advantages in the field of engineering cost management, the Company extends its services to early-stage value management and data management during construction, enabling data-driven business management and offering new digital cost and consultancy products and services to developers, constructors and consultants. Currently, it mainly provides products and services to clients adopting a SaaS model.

The Construction Management segment mainly focuses on the construction process of engineering projects, and provides construction companies with platform-based solutions covering project management and enterprise management through a “platform + modular components” model. Specifically, this involves BIM+ intelligent site products at the project level, and products aimed at project-enterprise integration at the construction companies’ enterprise level. Digital transformation is still in the process of continuous improvement in the construction industry, with relatively low market penetration.

The Digital Design segment is oriented toward clients such as design institutions, providing them with fully proprietary 3D forward design platform products and services that cover architectural design and urban design products and digitalized design delivery and filing services, including Glodon NovaDesign set, BIMSpace Architectural Design Product Family, Computational Analysis Product Family, Glodon NovaDesign Road product and Glodon Design Delivery and Filing, along with collaborative design-cost and design-construction integration solutions.

The Digital City unit is focused on creating a CIM (City Information Modeling) platform to form a digital foundation for cities, and advancing CIM+ application to provide integrated planning, construction, and management solutions, smart ecosystems, and Intelligent Operation Centers (IOC) for cities.

The Digital Education unit revolves around the construction of a talent chain system in the building industry, dedicates to providing professional lifelong education services for industry talents. It focuses on enhancing the cognition and skill levels of key positions, linking the talent cultivation supply chain, mitigating the contradiction between supply and demand of professional talents, and providing more high-quality professional talents for the transformation, upgrading, and healthy development of the construction industry.

The Digital Developer unit primarily caters to the digital demands of developers (including central and local state-owned developers, urban investment platforms, and self-developers), focusing on the investment, development, construction, and delivery stages of projects. It offers comprehensive digital solutions covering corporate level, project level, operational level, and supplier collaboration.

The Digital Supply & Procurement unit deeply integrates digital technology into the building materials supply chain to connect supply and demand. It provides group purchasing and e-commerce digital procurement products for large construction enterprises and sourcing, competitive bidding, and inspection services for small and medium-sized construction enterprises. For a vast number of building material suppliers, it offers intelligent marketing solutions under four business scenarios: market insight, brand promotion, product promotion, and precise customer acquisition.

The Digital Finance unit maximizes the use of full, real-time business data of business-finance and project-enterprise integration throughout the engineering project's lifecycle, along with algorithms supporting funders' risk control and regulators' management. It develops digital risk control model products and extends digital financial technology to the digital credit and financial services in the construction industry.

As regards our overseas business, one segment is Cubicost, a series of international products for the construction cost business, which has been marketed mainly in the Southeast Asian market. The other segment is the MagiCAD series of electromechanical design software and simulation analysis software for building energy consumption operated by our European subsidiary, and Glodon GSite, an international construction management platform targeting the European market.

2. Management Discussion and Analysis

Since its renewed entrepreneurial that began in 2017 (2017-2025), the Company has been steadfast in its mission to make every project a success and to enable every builder to achieve greatness. Through digital means, we strive to address challenges related to project scheduling, costs, quality, safety, and environmental protection, thereby accelerating the construction industry's digital transformation and upgrade. During the Seventh Three-year Plan (2017-2019), the Company went through a cloud transformation journey, transforming not just its product offerings, but also its ways of thinking and business strategies. During the Eighth Three-year Plan (2020-2022), it improved values of multiple businesses by consolidating dual business segments (construction cost and construction management), making new breakthroughs in digital design and putting our integrated digital project management platform PaaS into operation. As we enter the Ninth Three-year Plan (2023-2025), the Company strides towards the climax of its renewed entrepreneurial venture, during which the construction industry's demand for high-quality development has grown significantly. The value of digitization in reducing costs and enhancing efficiency has become particularly evident, providing a stronger growth impetus for the industry's digital transformation. Amidst the landscape of opportunities and hurdles characterizing the current digital revolution in the construction industry, the Company stands firm in its pursuit of a bold second chapter,

preserving its strategic focus, driving proactive innovation and stable development to steer its renewed entrepreneurial initiative towards assured success.

2023 marks the opening year of our Ninth Three-year Plan, however, the pace of the Company's overall business operations has been impacted by the state of construction industry project commencements. During the year, the Company achieved an operating income of RMB6.525 billion and a net profit of RMB116 million, down 0.42% and 88.02% year-on-year, respectively. Our profit saw a significant decline, largely due to increases in labor costs, depreciation, amortization, and asset impairment. From the perspective of segments, our Construction Cost business segment achieved an operating income of RMB5.17 billion, up 8.33% year-on-year. During the Reporting Period, the Company signed cloud contracts of RMB3.564 billion, down 9.08% year-on-year, the performance remained essentially flat year-on-year excluding the impact of three-year contracts. While our Construction Management business segment and Digital Design business segment achieved an operating income of RMB862 million and RMB87 million, down 35.00% and 27.53% year-on-year, respectively.

(1) Organizational structure upgrade to address systematic digital needs of clients

In response to the evolving landscape and new demands for digital transformation within the construction industry, we initiated a proactive transformation at the beginning of 2023 by adjusting our organizational structure. Dismantling from the previous three BG segments, it established a networked transparent organization centered around customer base, product lines, and business platforms, forming a business management system that cascades from customer base to solutions, product lines, products, and platforms. It propelled the Company's internal capabilities towards greater systematization, platformization, and networking, thereby offering clients a complete solution-oriented service system built on a platform+ module mode. Following a year of integration in 2023, this organizational restructuring is expected to enhance operational effectiveness by 2024.

(2) Construction cost products weathering challenges with solid growth in new digital cost products

During the Reporting Period, the construction cost products achieved cloud revenue of RMB3.224 billion, representing a year-on-year increase of 11.20%, primarily due to the recognition of previously signed cloud contracts and the carryforward of new ones. Cloud contracts worth RMB3.029 billion were signed, representing a year-on-year decrease of 6.47%. The Company's construction cost products maintained high renewal rate, application rate, and user engagement levels comparable to the same period last year.

During the Reporting Period, the Construction Cost business continued its evolution from single-role sets to full-process cost management applications, achieving a breakthrough with comprehensive coverage of deep application across benchmark enterprises. During the Reporting Period, the new digital cost products achieved cloud revenue of RMB598 million, representing a year-on-year increase of 52.36%. Cloud contracts worth RMB535 million were signed, representing a year-on-year decrease of 21.50%. With a focus on customer value creation in 2023, these products helped enhance usage rates and value for customers to nurture benchmark users. The delivery and benchmarking of the new digital cost products made significant progress, effectively boosting the product application rate; the renewal rate rose consistently, nearing parity with the construction cost products' renewal rate, meeting the Company's preset goals. The Company successfully created 270 single-scenario benchmarks, 50 cost-management value benchmarks, and 7 pavement benchmarks, laying a strong foundation for future product promotions.

(3) Streamline construction business and continuous improvement in operational quality

Amidst a decline in the number of construction project kick-offs and slower progress on some projects, coupled with intensifying competition in the industry, construction firms have become more cautious about digital investments, which has impacted the expansion of the Company's digital construction business orders and deliveries to some extent. Responding to both internal and external shifts, the Company refined its digital construction business strategy and persistently upgraded value proposition in its solutions. It pivoted from pursuing scale to emphasizing quality in its business operations, strategically managing profitability and cash flow to guide adjustments in the construction business strategy, aiming for high-quality, scalable expansion in the long run. In 2023, construction products became increasingly tailored to address core business scenarios of customers, with a rising share of proprietary hardware and software. Applications rate in labor, material, BI, GEPS, and other products steadily improved, and over 200 enterprise and large-project benchmarks were established. As a result of these concerted efforts, sales collections from Construction Management business saw an improvement compared to 2022.

(4) Focus on quality improvement of NOVADesign and breakthroughs in collaborative design and integration

In 2023, the key task for Glodon NOVADesign products is to validate product value, establish a value loop, construct a value benchmark, and achieve scalable product application. During the Reporting Period, Glodon NOVADesign increased the efficiency and quality of collaborative design in the drawing design phase, creating integrated design calculations. Over 70 benchmark companies were established, along with more than 260

benchmark projects. A value loop for collaborative design and drawing was completed for residential and general public building formats, with 193 core scenarios successfully validated for functionality, performance, and quality across multiple projects.

(5) Orderly layout of overseas business and steady progress in internationalization

During the Reporting Period, the overseas business achieved operating income of RMB194 million, up 26.43% year-on-year, mainly due to the consolidation of the energy simulation software company EQUA Simulation AB (Sweden) acquired by subsidiary MagiCAD Group Oy (Finland), as well as robust development in other business. In terms of internationalization of Construction Cost business segment, efforts were intensified to deepen operations with key clients in major regions and expand into niche markets, resulting in stable orders and continuous improvement in operating profit margins. The application rates for quantity takeoff products for civil and installation and BQ pricing products in key regions remained stable. In terms of internationalization of Construction Management business, the upgrade of Gsite 2.0 product responded to core customer needs, combined with the Company's business platform capabilities to enhance product competitiveness. Through a series of marketing activities, brand awareness was increased to create a solid market foundation for business development. In terms of internationalization of Digital Design business, MagiCAD2024 was officially released, supporting efficient calculation of VAV air conditioning system to improve MEP design efficiency.

(6) Continuous advancement of core technologies supports key business development

In recent years, as the leading unit, the Company has undertaken a number of national-level major scientific and technological breakthrough projects initiated by the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Ministry of Housing and Urban-Rural Development. With outstanding technical strength, the Company continuously tackles critical challenges for industry development and facilitates the conversion of scientific and technological achievements, consistently receiving high recognition from government departments for its product innovation capabilities and value. The Company continues to increase its investment in R&D, consolidating its core technological barrier. During the Reporting Period, the total R&D investment of the Company amounted to RMB1.963 billion, representing a year-on-year increase of 5.65%, accounting for 30.09% of the operating income. During the Reporting Period, the Company continued to upgrade its core graphics technology, significantly enhancing the rendering

performance and realistic effect of large infrastructure and CIM scenarios, the performance and stability of 2D graphics processing, as well as the curved surface modeling capability for complex buildings. At the same time, the Company actively explored applied algorithms integrating virtual and real scenarios in infrastructure sites, achieving effective integration and innovation with business operations. The Company launched the first digital core competency platform with independent intellectual property rights in the construction industry - the Construction Business Platform, which provides a PaaS platform for the entire construction industry covering services for the whole lifecycle of buildings including design, construction, operation, and maintenance. The Company achieved breakthroughs in artificial intelligence technology and independently developed a large AI model tailored for the construction industry, which is capable of knowledge-enhanced question answering, automation, analysis, and generation-augmented basic capability calculations for construction industry data. We have established an AI platform that offers end-to-end tools for the development of industry AI applications and the MaaS (Model as a Service) service model. Furthermore, the Company applied core AI technology across various sectors such as architectural design, contract and procurement, and construction, accelerating the intelligent transformation and value upgrade of the Company's products.

3. Work Plan for 2024

In 2023, rapid changes in the external market led to significant resource investments by the Company, resulting in high costs and a considerable decline in profits. In 2024, the Company will actively adjust its strategy by concentrating resources and focusing on key areas, so to achieve stable growth in revenue and profits.

(1) Concentrating resources

The core rationale behind concentrating resources is to optimize resource allocation, focusing on core products, key regions, and key customers.

Core products include mature products such as quantity takeoff, pricing, and engineering information products, for which the Company will strive for steady growth and increased profits. For growth products such as engineering data service, bid analysis and review products, Glodon NOVADesign, labor management, material management, and Zebra Progress, the Company aims to achieve rapidly scale-up and revenue contribution. Key regions include 14 regions such as Beijing, Shanghai, and Guangdong, where the Company will focus on growth products to achieve effective scale-up. Key customers include central enterprises, local state-owned enterprises, and leading private enterprises.

Furthermore, the Company will further tap into internal potential and strive to reduce costs and increase efficiency. We will implement the 2 Pizza Team mechanism to maximize innovation and collaboration through the formation of small teams. We will strengthen budget management and expense control, effectively controlling expenses from the source and throughout the process, reducing unnecessary expenses.

(2) Focusing on key areas

In respect of the pricing products in the construction cost business, we will take the opportunity of the release of the new list to comprehensively upgrade market-oriented services and data-based services adapted to the new list, cover the prefabricated business, and expand into to industrial park-related businesses. We aim to achieve stable growth by continuously enhancing product value. For new digital cost products, we will continue to enhance solution value and expand business scenarios, accelerating the scale-up promotion by building on the benchmark customers established in 2023.

In respect of the construction management business, we will continue to optimize the product structure, focusing on advantageous products and high-potential products, including enterprise management, project management, as well as labor management, material management, tower crane and Zebra Progress products. For the enterprise management product, we aim to continuously improve market expansion capabilities through project-enterprise integration and data-driven strategy. For the project management product, we aim to enhance project profitability for project managers by making breakthroughs in key value scenarios. For the labor management product, we aim to create labor quotas that are combined with construction quantity takeoff and material management. For material management products, we aim to achieve transparent control of project materials through mobilization and automation. For the tower crane product, we focus on making breakthroughs in anti-collision technology to enhance product value. For Zebra Progress, we will bringing a brand-new planning and progress control experience through AI, transitioning from a free traffic-attracting product to a subscription-based fee model. Infrastructure is an important growth point for the construction management business in 2024. The Company has adjusted its management approach based on the business characteristics of infrastructure, transitioning the channel advantages established over the years with central and state-owned enterprise infrastructure clients in the housing construction business to the infrastructure business. Targeting the road and bridge and civil municipal markets, the Company aims to leverage products such as material management, labor management, Zebra Progress, and road quantity takeoff to establish competitive advantages from the enterprise to the project level, and replicate the capabilities across regions to achieve higher growth rates.

In respect of the design business, the Company will continuous to create a value BIM benchmark, leveraging collaborative design and integrated value to enhance the quality and efficiency of design.

Furthermore, the Company will vigorously expand its various businesses into infrastructure fields such as urban renewal, affordable housing, municipal public buildings, industries, industrial parks, self-built buildings, as well as roads and bridges.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the previous three years

Whether the Company need to retrospectively adjust or restate its accounting data for previous years

Yes No

Unit: Yuan

	2023	2022		Year-on-year Change	2021	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Operating income (Yuan)	6,524,575,067.70	6,552,355,812.47	6,552,355,812.47	-0.42%	5,562,216,443.14	5,562,216,443.14
Net profit attributable to shareholders of the listed company (Yuan)	115,837,537.09	966,734,779.17	967,170,402.70	-88.02%	660,974,286.88	660,559,791.78
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit and loss (Yuan)	54,428,701.01	919,252,904.33	919,688,527.86	-94.08%	651,128,119.78	650,713,624.68
Net cash flow from operating activities (Yuan)	636,957,826.53	1,647,598,520.47	1,647,598,520.47	-61.34%	1,601,350,833.93	1,601,350,833.93

Basic earnings per share (Yuan/share)	0.0702	0.5866	0.5869	-88.04%	0.4027	0.4025
Diluted earnings per share (Yuan/share)	0.0700	0.5855	0.5857	-88.05%	0.4024	0.4022
Weighted average ROE	1.89%	16.57%	16.58%	Decreased by 14.69 percentage points	10.59%	10.58%
	2023 Year-end	2022 Year-end		Change from end of previous year to end of this year	2021 Year-end	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Total assets (Yuan)	10,675,950,410.05	11,545,493,530.94	11,545,514,659.37	-7.53%	10,067,626,141.36	10,067,259,898.09
Net assets attributable to shareholders of the listed company (Yuan)	5,882,546,802.94	6,311,747,170.12	6,311,768,298.55	-6.80%	5,787,737,027.21	5,787,737,027.21

(2) Quarterly major accounting data

Unit: Yuan

	Q1	Q2	Q3	Q4
Operating income	1,300,372,807.13	1,749,528,639.69	1,699,632,468.59	1,775,041,152.29
Net profit attributable to shareholders of the listed company	119,763,441.45	128,398,493.94	13,425,908.84	-145,750,307.14
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit and loss	94,002,727.79	116,940,771.54	1,250,282.90	-157,765,081.22
Net cash flow from operating activities	-924,433,593.88	213,591,761.89	293,882,396.20	1,053,917,262.32

Whether the above financial indicators or their sums are significantly different from those disclosed in the Company's quarterly financial reports or interim financial reports

Yes No

4. Share capital and shareholders

(1) Table of number of ordinary shareholders and preferred shareholders with restored voting rights and the shareholdings of top 10 shareholders

Unit: share

Total number of ordinary shareholders as of the end of the Reporting Period	67,652	Total number of ordinary shareholders at the end of the month immediately before disclosure date of annual report	70,457	Total number of preferred shareholders with restored voting rights at the end of the Reporting Period	0	Total number of preferred shareholders with restored voting rights at the end of the month before disclosure date of annual report	0
Shareholding of top-10 shareholders (Excluding shares lent through refinancing)							
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of shares subject to trading restrictions	Pledged/labeled/frozen		
					Status of shares	Quantity	
Diao Zhizhong	Domestic natural person	15.98%	266,090,783	0	Pledged	62,900,000	
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	13.96%	232,409,778	0	Not applicable		
Chen Xiaohong	Domestic natural person	4.71%	78,358,000	0	Not applicable		
Wang Jinhong	Domestic natural person	4.29%	71,433,043	53,574,781	Not applicable		
Tu Jianhua	Domestic natural person	2.26%	37,558,241	0	Not applicable		
National Social Security Fund 102 Combination	Others	1.95%	32,486,599	0	Not applicable		
An Jinghe	Domestic natural person	1.91%	31,822,118	0	Not applicable		
Wang Xiaofang	Domestic natural person	1.68%	28,000,000	0	Not applicable		
Glodon	Others	1.06%	17,659,300	0	Not		

Company Limited – 2023 Employee Stock Ownership Plan					applicable	
abrdn Asia Limited – Aberdeen Fund – China A Share Sustainable Equity Fund	Overseas legal person	0.98%	16,282,841	0	Not applicable	
Explanation on any connections or acting-in-concert among the above shareholders	There is no connection among the above natural person shareholders, nor are they persons acting in concert as regulated in the Measures for the Administration of the Takeover of Listed Companies. The Company is also not aware of any connection among other shareholders or whether they are acting in concert as regulated in the Measures for the Administration of the Takeover of Listed Companies.					
Description of shareholders participating in Margin Trading (if any)	Not applicable					

Information on the top ten shareholders participate in the refinancing and securities lending business

Applicable Not applicable

Changes of the top ten shareholders compared with last period

Applicable Not applicable

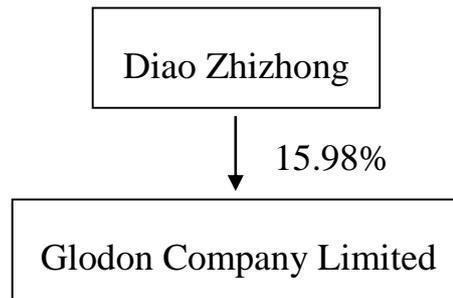
Changes of the top ten shareholders compared with last reporting period					
Name of shareholder	Add/exit during the Reporting Period	The outstanding shares of refinancing and securities lending business and not yet repaid at the end of Reporting Period		The shares held by the shareholders through ordinary account and credit account as well as the outstanding shares of refinancing and securities lending business at the end of Reporting Period	
		Number of shares	Percentage of total share capital	Number of shares	Percentage of total share capital
HHLR Management Pte. Ltd - China Value Fund (Exchange)	Exit	0	0.00%	Not available	Not available
Glodon Company Limited – 2023 Employee Stock Ownership Plan	Add	0	0.00%	17,659,300	1.06%

(2) Table of number of preferred shareholders and the shareholding of top 10 preferred shareholders

Applicable Not applicable

During the Reporting Period, there is no information about the shareholding of preferred shareholders of the Company.

(3) Chart of equity and controlling relationship between the Company and the acting controller



5. Information of bonds outstanding on the date of annual report issuance approval

Applicable Not applicable

III. Important Matters

During the Reporting Period, there were no significant changes in the company's operations. For details, please refer to Section 6 "Important Matters" of the "Annual Report 2023" published by www.cninfo.com.cn

Glodon Company Limited

Chairman: Yuan Zhenggang

March 25, 2024