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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “Board”) of directors (the “Directors”) of Chinasoft International Limited (“Chinasoft” or the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022, together with the comparative audited consolidated figures for the year ended 31 December 2021 are as follows:

HIGHLIGHTS			
Results for the year ended 31 December 2022			
Income statement highlights	2022	2021	Growth rate
	RMB'000	RMB'000	
Revenue	20,005,171	18,398,076	8.7%
Service revenue	19,489,625	18,132,013	7.5%
Profit for the year	758,829	1,136,690	(33.2%)
Profit for the year attributable to owners of the Company	759,441	1,136,911	(33.2%)
Basic earnings per share (cents)	26.11	40.89	(36.1%)

- The Board recommended the payment of a final dividend for the year ended 31 December 2022 of HK\$0.0567 per share.
- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	20,005,171	18,398,076
Cost of sales and services		(15,405,001)	(13,493,835)
Gross profit		4,600,170	4,904,241
Other income		347,953	419,280
Loss from derecognition of financial assets measured at amortised cost		(2,740)	(5,515)
Impairment losses under expected credit loss model, net of reversal		(89,451)	(111,735)
Other gains or losses		34,447	151,595
Selling and distribution costs		(948,868)	(943,469)
Administrative expenses		(1,682,638)	(1,755,654)
Research and development costs		(1,238,035)	(1,249,325)
Other expenses		(55,210)	(47,588)
Finance costs		(113,212)	(99,557)
Share of results of investments accounted for using the equity method		(22,534)	(10,196)
Profit before taxation		829,882	1,252,077
Income tax expense	4	(71,053)	(115,387)
Profit for the year		758,829	1,136,690

	<i>NOTE</i>	2022 RMB'000	2021 <i>RMB'000</i>
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		<u>(1,929)</u>	<u>(2,982)</u>
Other comprehensive expense for the year, net of tax		<u>(1,929)</u>	<u>(2,982)</u>
Total comprehensive income for the year		<u>756,900</u>	<u>1,133,708</u>
Profit for the year attributable to:			
Owners of the Company		759,441	1,136,911
Non-controlling interests		<u>(612)</u>	<u>(221)</u>
		<u>758,829</u>	<u>1,136,690</u>
Total comprehensive income attributable to:			
Owners of the Company		757,512	1,133,929
Non-controlling interests		<u>(612)</u>	<u>(221)</u>
		<u>756,900</u>	<u>1,133,708</u>
Earnings per share	6		
Basic		<u>RMB0.2611</u>	<u>RMB0.4089</u>
Diluted		<u>RMB0.2518</u>	<u>RMB0.3840</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,119,112	1,220,085
Right-of-use assets		439,447	627,641
Intangible assets		280,773	192,855
Goodwill		843,654	843,654
Investments accounted for using the equity method		485,163	384,641
Financial assets at fair value		159,560	78,513
Other receivables		21,703	26,565
Term deposits		10,000	–
Pledged bank deposits		3,930	5,699
Deferred tax assets		921	3,013
		3,364,263	3,382,666
Current assets			
Inventories		99,358	162,631
Trade and other receivables	7	6,156,543	5,894,431
Bills receivable		54,563	42,438
Contract assets		1,998,731	1,740,630
Financial assets at fair value		90,000	–
Amounts due from related companies		102,847	106,828
Term deposits		48,000	–
Pledged bank deposits		45,254	16,289
Bank balances and cash		5,005,226	5,556,380
		13,600,522	13,519,627
Current liabilities			
Trade and other payables	8	2,043,359	2,251,585
Bills payable		5,350	56
Lease liabilities		180,951	213,849
Contract liabilities		339,220	410,877
Amounts due to related companies		44,081	10,657
Dividend payable		81	81
Taxation payable		154,184	181,075
Borrowings		766,068	917,421
Consideration payable		19,992	–
		3,553,286	3,985,601
Net current assets		10,047,236	9,534,026
Total assets less current liabilities		13,411,499	12,916,692

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	11,715	13,312
Consideration payable	–	19,992
Lease liabilities	102,530	235,959
Borrowings	1,162,463	1,020,870
	<u>1,276,708</u>	<u>1,290,133</u>
	<u>12,134,791</u>	<u>11,626,559</u>
Capital and reserves		
Share capital	136,837	138,703
Share premium	6,013,911	6,293,665
Treasury shares	(538,555)	(588,741)
Reserves	6,497,572	5,760,294
	<u>12,109,765</u>	<u>11,603,921</u>
Equity attributable to owners of the Company	12,109,765	11,603,921
Non-controlling interests	25,026	22,638
	<u>12,134,791</u>	<u>11,626,559</u>
Total equity	<u>12,134,791</u>	<u>11,626,559</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 June 2003. On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange. The addresses of the registered office and principal places of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are development and provision of information technology (“IT”) solutions services, IT outsourcing services and training services.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Provision of services	19,489,625	18,132,013
Sales of software and hardware products	<u>515,546</u>	<u>266,063</u>
	<u><u>20,005,171</u></u>	<u><u>18,398,076</u></u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognition		
Over time	19,489,625	18,132,013
At a point in time	<u>515,546</u>	<u>266,063</u>
	<u><u>20,005,171</u></u>	<u><u>18,398,076</u></u>

Segment revenue and results

Information reported to the chief executive officer of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group’s operating divisions.

The Group’s operating and reportable segments are as follows:

1. Technical professional services group (“TPG”) – development, provision of solutions, IT outsourcing services for banks and other financial institutions, telecommunication carriers and other large-scale multinational companies, including sale of products;
2. Internet IT services group (“IIG”) – development, provision of solutions and IT outsourcing services for government, tobacco industry and other small-scaled companies and training business, including sale of products.

The following is an analysis of the Group’s revenue and results by reportable segments:

	Segment revenue		Segment results	
	2022	2021	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
TPG	17,930,401	16,622,352	797,998	1,209,519
IIG	2,074,770	1,775,724	175,316	147,939
	20,005,171	18,398,076	973,314	1,357,458

Segment revenue reported above represents revenue generated from external customers.

Inter-segment services are charged at a cost plus margin basis.

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and liabilities is presented as the CODM does not regularly review such information for the purposes of resource allocation and assessment of segment performance. Therefore, only segment revenue and segment results are presented.

Information about products and services

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
TPG		
Provision of services	17,764,725	16,501,755
Sales of software and hardware products	<u>165,676</u>	<u>120,597</u>
	17,930,401	16,622,352
IIG		
Provision of services	1,724,900	1,630,258
Sales of software and hardware products	<u>349,870</u>	<u>145,466</u>
	2,074,770	1,775,724
Segment revenue	<u><u>20,005,171</u></u>	<u><u>18,398,076</u></u>

4. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Income tax expense:	<u><u>71,053</u></u>	<u><u>115,387</u></u>

The Company is incorporated as an exempted company and as such is not subject to the Cayman Islands taxation.

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the applicable tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards unless subject to tax exemptions.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2021 Final – HK3.23 cents (2021: 2020 Final of HK2.90 cents) per share	<u><u>79,555</u></u>	<u><u>70,117</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK5.67 cents (2021: HK3.23 cents) per ordinary shares has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>759,441</u>	<u>1,136,911</u>
Earnings for the purpose of diluted earnings per share	<u><u>759,441</u></u>	<u><u>1,136,911</u></u>

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,908,811	2,780,474
Effect of dilutive potential ordinary shares:		
Share options	10,173	42,078
Share awards	<u>96,588</u>	<u>138,143</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>3,015,572</u></u>	<u><u>2,960,695</u></u>

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

7. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables, net of allowance	5,469,959	5,256,303
Advances to suppliers	435,490	406,638
Deposits, prepayments and other receivables, net of allowance	<u>272,797</u>	<u>258,055</u>
	<u><u>6,178,246</u></u>	<u><u>5,920,996</u></u>

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance), presented based on the invoice dates for sales of goods and services for project-based development contracts, and dates of rendering of other types of services at the end of the reporting period is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	4,384,078	4,547,394
Between 91 – 180 days	542,808	417,732
Between 181 – 365 days	346,246	210,631
Between 1 – 2 years	196,827	80,546
	<u>5,469,959</u>	<u>5,256,303</u>

8. TRADE AND OTHER PAYABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	665,267	768,297
Payroll payables	1,132,888	1,238,154
Other tax payables	150,313	113,763
Other payables	94,891	131,371
	<u>2,043,359</u>	<u>2,251,585</u>

An aged analysis of trade payables, presented based on the invoice dates at the end of the reporting period is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	273,778	428,871
Between 91 – 180 days	84,672	133,023
Between 181 – 365 days	82,796	100,324
Between 1 – 2 years	177,883	82,555
Over 2 years	46,138	23,524
	<u>665,267</u>	<u>768,297</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Group experienced steady business growth, with revenue increasing by 8.7% year-on-year and service revenue growing by 7.5% year-on-year. However, profit declined by 33.2% year-on-year, and the profit attributable to the Group's owners also decreased by 33.2% year-on-year. Basic EPS saw a year-on-year decline of 36.1%.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	% Increase (decrease) over the same period last year
Revenue	20,005,171	18,398,076	8.7%
Service revenue	19,489,625	18,132,013	7.5%
Profit for the year	758,829	1,136,690	(33.2%)
Profit for the year attributable to owners of the Company	759,441	1,136,911	(33.2%)
Basic earnings per share (<i>cents</i>)	26.11	40.89	(36.1%)

KEY OPERATING DATA

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	% Increase (decrease) over the same period last year
Revenue	20,005,171	18,398,076	8.7%
Service revenue	19,489,625	18,132,013	7.5%
Cost of sales and services	<u>(15,405,001)</u>	<u>(13,493,835)</u>	14.2%
Gross profit	4,600,170	4,904,241	(6.2%)
Other income	347,953	419,280	(17.0%)
Loss from derecognition of financial assets measured at amortised cost	(2,740)	(5,515)	(50.3%)
Impairment losses under expected credit loss model, net of reversal	(89,451)	(111,735)	(19.9%)
Other gains or losses	34,447	151,595	(77.3%)
Selling and distribution costs	(948,868)	(943,469)	0.6%
Administrative expenses	(1,682,638)	(1,755,654)	(4.2%)
Research and development costs	(1,238,035)	(1,249,325)	(0.9%)
Other expenses	(55,210)	(47,588)	16.0%
Finance costs	(113,212)	(99,557)	13.7%
Share of results of investments accounted for using the equity method	<u>(22,534)</u>	<u>(10,196)</u>	121.0%
Profit before taxation	829,882	1,252,077	(33.7%)
Income tax expense	<u>(71,053)</u>	<u>(115,387)</u>	(38.4%)
Profit for the year	758,829	1,136,690	(33.2%)
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GENERAL OVERVIEW

In 2022, faced with the complex challenges of the centennial changes and the unprecedented COVID-19 pandemic, the Group adhered to the principle of steady progress and maintained strategic stability. The Group actively adopted various measures to cope with and reduce the impact of internal and external environmental shocks on its business, achieving a counter-trend growth in revenue. The Group has successfully entered the top 80 in Gartner's global IT service market share ranking, demonstrating the value of the Group as a leading Chinese IT service provider.

During the reporting period, the Group joined forces with SZ Kai Hong Digital Industry Development Co., Ltd. (referred to as "SZ Kai Hong") to jointly release the "(1+1)×N" strategy. The strategy leverages the innovative capabilities of the OpenHarmony technology platform and the digital ecosystem construction capabilities, to continuously develop one new universal IoT operating system and one super terminal management platform, and to enable the intelligent IoT construction needs of N industries. To quickly implement the strategy, the Group established an IoT military division, accelerated the landing of the Honglian Creation Camp, and created a strong force for the construction of the OpenHarmony ecosystem, becoming a pioneer in OpenHarmony's intelligent IoT business.

During the reporting period, the scale of the Group's cloud intelligence business continued to grow. The cloud intelligence business adhered to the strategic positioning of "moving to the cloud, managing the cloud, cloud-native, understanding the cloud, being knowledgeable, and gathering the ecosystem," and continued to deepen its strategic cooperation with Huawei Cloud. The Group became one of the first cooperative partners in the Huawei Government Cloud Alliance, while also developing industry groups in the energy, power, and rail transit sectors. At the same time, the Group continued to promote the implementation of a multi-cloud strategy. In addition to expanding the distribution of public cloud offerings, the Group actively promoted joint solutions in the field of hybrid cloud, accelerating the development of a product matrix that covers the full range of digital transformation scenarios, including digital government, smart hospitals, smart education, intelligent manufacturing, and smart parks. The Group expanded its customer base and leveraged the power of its ecosystem to empower all walks of life, helping China to lead the world in the digital society and digital economy.

During the reporting period, the Group actively seized the window of opportunity for the localization and digital transformation of large state-owned enterprises, firmly committed to the direction of Enterprise Application Service (EAS) business. The Group reached customers in industries such as petrochemicals, energy, power, aviation, and aerospace, co-created Chinese localized solutions, and participated deeply in the localization process of research and development, production, and sales, building an end-to-end full-stack service capability. The Group explored the "platform + consulting + service" model for ERP implementation around mid-to-large-sized customers, deepened its cooperation with partners such as Yonyou, Kingdee, and SAP, and established ERP implementation capabilities for mid-to-large-sized customers. The Group completed investments in companies such as Elitesland and Fenxiangpinke, and introduced mature business management systems.

During the reporting period, Jointforce accelerated the development of a digital end-to-end service model based on its positioning of “safeguarding the digitization of China,” focusing on serving government and enterprise customers and verifying and extending the service points throughout the entire digital process, in order to deliver full-lifecycle value to its customers. Jointforce further expanded its presence in urban areas and leveraged its own internet platform to build a delivery and operation system that connects the “front store” - with zero-distance butlers - and the “back factory” - with full resource empowerment. The Group fully realized online closed-loop service processes and dynamic presentation, embodying the mission of Jointforce in safeguarding the digitization of China.

During the reporting period, the Group continued to deepen its FFW (From, For, With) strategy, creating end-to-end customer service solutions and capabilities from consulting to delivery. The Group’s financial business grew steadily, adding more than 50 new customers, including domestic and foreign banks, insurance companies, securities firms, financial and asset management institutions. The Group seized the development opportunities in the Greater Bay Area, deeply cultivated the Hong Kong region, and relied on Singapore and Malaysia to expand its reach to financial IT companies in Southeast Asia. The Group also expanded its business with large Japanese customers and provided high-quality solution services to multiple global financial institutions.

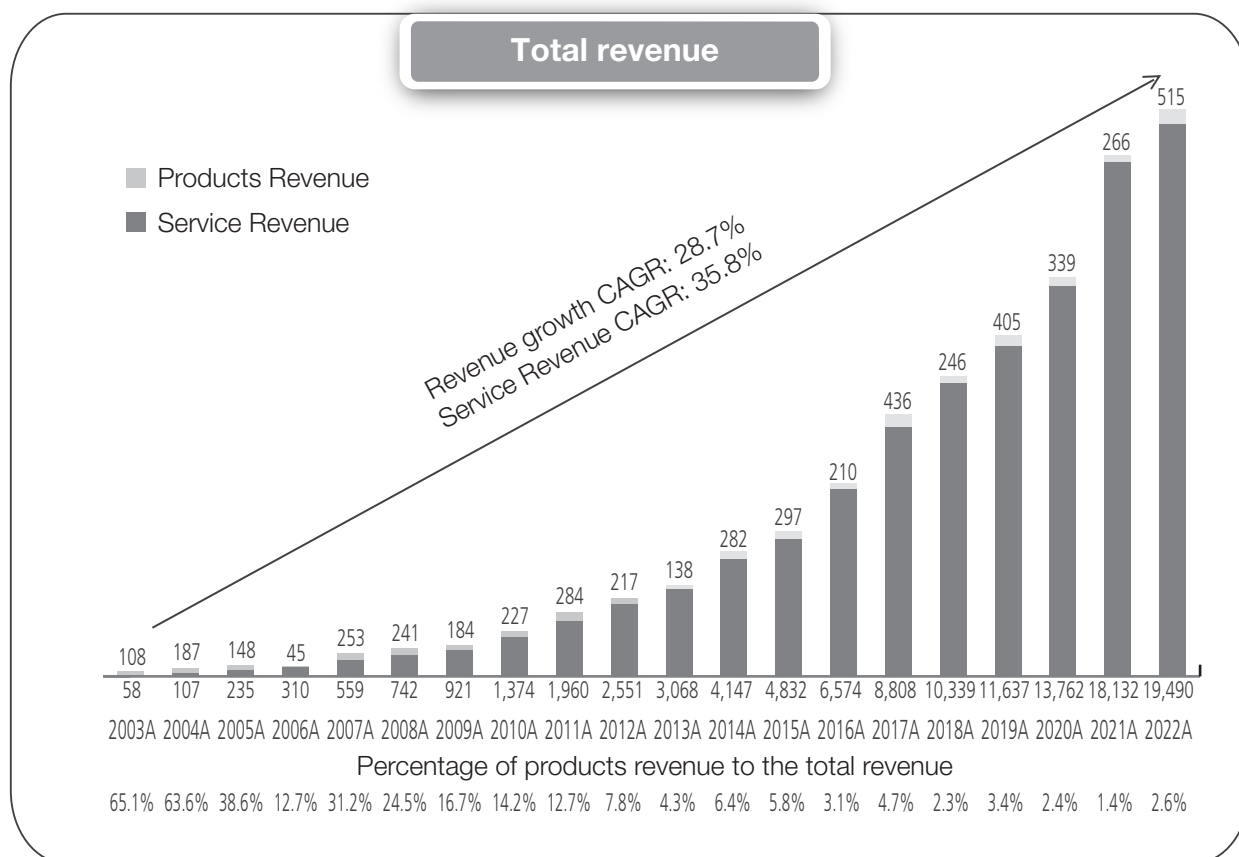
During the reporting period, the Group continued to deepen its relationships with China Mobile and China Telecom, and steadily promoted its business with major equipment and electronics manufacturers. The Group signed five new strategic customers with China Mobile and added 31 new cooperative partners to the DICT shortlist. The Group also won the bid for the 2022-2023 ICT project support and integration service project for Guangdong Mobile for the first time. The Group’s IT services for telecom operators continued to grow steadily, expanding its market share and winning its first customer from China Tower.

During the reporting period, the Group continued to deepen its presence in the internet industry, maintaining a leading position in the business of major customers such as Tencent, Alibaba, and Baidu, while continuously expanding its customer base to include well-known internet companies such as JD, ByteDance, and Meituan. The Group explored customer business scenarios in depth and accumulated practical experience in digital operational services.

During the reporting period, the Group focused on the automotive industry, achieving rapid growth in its automotive business. The software factory achieved substantial progress in the automotive field in 2022, creating numerous benchmark projects in the automotive industry. The Group successively won business from mainstream automakers such as FAW Group, Lotus, Jike, and Zhongqi Chuangzhi, and helped automotive customers achieve successful digital transformations through its three main businesses of management consulting, IT equipment, and large-scale outsourcing.

In 2023, despite the unpredictable external environment, with the optimization and adjustment of domestic epidemic prevention and control measures, the Chinese economy is beginning to recover rapidly. The Group will continue to be confident, guided by strategic planning, anchor its capabilities and market share with key strategic customers, jointly build China's solutions for innovation in key basic industries, rely on core technologies, and build, cultivate, and accumulate full-stack service capabilities around main business channels. The Group will penetrate more extensively into the digital transformation market by deepening its presence in industries, and continue to work towards the goal of becoming a leading technology-driven IT service company with global leadership.

The Group has maintained high-speed growth in revenue and service revenue since its listing on the Growth Enterprise Market in 2003. From 2003 to 2022, the compound annual growth rate (CAGR) of revenue was 28.7%, and the CAGR of service revenue was 35.8%. Please refer to the chart below for details:



CUSTOMERS

The Group's customers are located around the world, including the Asia-Pacific, North America, Europe, and Latin America regions, in addition to the Greater China area. The Group has a significant market share in mainstream industries in China, especially in finance, internet, telecommunications, high-tech, and government sectors. In 2022, the service revenue from the top five customers accounted for 66.2% of the Group's total service revenue, and the service revenue from the top ten customers accounted for 73.3% of the Group's total service revenue.

In 2022, the Group had 2,394 active customers, and 192 large customers with service revenue exceeding RMB6 million.

MARKET

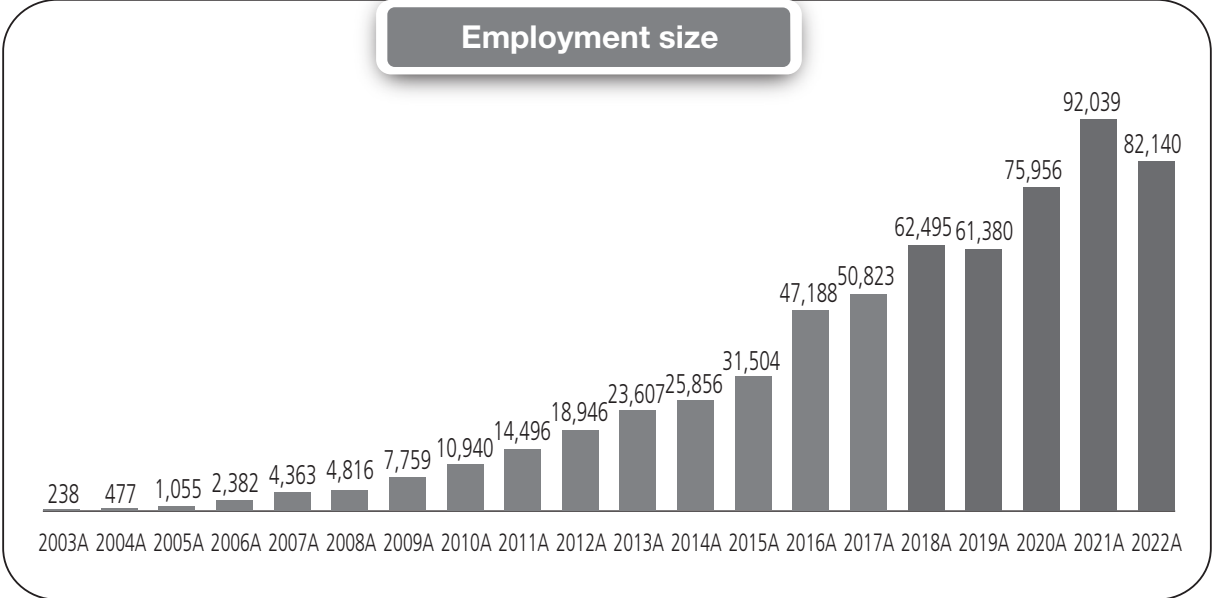
During the reporting period, the Group's business mainly focused on the Greater China area, which continues to offer significant market potential and growth opportunities for the Group. The Group has long-term partnerships with Fortune 500 customers such as Honor, Tencent, Ping An, Alibaba, China Mobile, Baidu, a global financial institution, and a top-tier ICT infrastructure and intelligent terminal provider in the industry. The Group has provided information technology services to customers in 47 countries worldwide and accumulated a wealth of experience in serving international customers. Taking advantage of the digital "Belt and Road" initiative, the Group will continue to expand overseas, combining product and industry partnerships with the top-tier ICT infrastructure and intelligent terminal provider in the industry, and further strengthening its global service network on the basis of existing global strategic centers in China, the United States, Japan, India, Singapore, and Malaysia. The Group aims to become a leading international IT service provider and establish China's influence on the global IT industry.

HUMAN RESOURCES

As of the end of 2022, the Group's total number of employees reached 82,140, representing a 10.8% decrease compared to the total number of employees of 92,039 as of the end of 2021. The average total number of employees for the reporting period was 87,090, representing a 3.7% increase compared to the average of 83,998 for the same period last year. The decline in the number of employee at the end of the year was mainly due to the fluctuations of the company's major customers. In addition, it was also related to the group's strategic transformation focusing on high-value projects and not expanding low-value projects.

As of the end of 2022, the total number of technical personnel in the Group reached 78,221, accounting for 95.2% of the total number of employees. Among them, the number of project managers, consulting advisors, and senior engineers reached 27,490, accounting for 35.1% of the total number of technical personnel in the Group.

Since the Group was listed on the Growth Enterprise Market in 2003, its business has been expanding, except for a decrease in staff during the reporting period, the staff size has maintained rapid growth on a year-on-year basis. Please refer to the chart below for details:



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2021 and 2022:

	2022 <i>RMB'000</i>	% of revenue	% of service revenue	2021 <i>RMB'000</i>	% of revenue	% of service revenue
Revenue	20,005,171	N/A	N/A	18,398,076	N/A	N/A
Service revenue	19,489,625	N/A	N/A	18,132,013	N/A	N/A
Cost of sales and services	<u>(15,405,001)</u>	<u>(77.0%)</u>	<u>(79.0%)</u>	<u>(13,493,835)</u>	<u>(73.3%)</u>	<u>(74.4%)</u>
Gross Profit	4,600,170	23.0%	23.6%	4,904,241	26.7%	27.0%
Other income	347,953	1.7%	1.8%	419,280	2.3%	2.3%
Loss from derecognition of financial assets measured at amortised cost	(2,740)	(0.0%)	(0.0%)	(5,515)	(0.0%)	(0.0%)
Impairment losses under expected credit loss model, net of reversal	(89,451)	(0.4%)	(0.5%)	(111,735)	(0.6%)	(0.6%)
Other gains or losses	34,447	0.2%	0.2%	151,595	0.8%	0.8%
Selling and distribution costs	(948,868)	(4.7%)	(4.9%)	(943,469)	(5.1%)	(5.2%)
Administrative expenses	(1,682,638)	(8.4%)	(8.6%)	(1,755,654)	(9.5%)	(9.7%)
Research and development costs	(1,238,035)	(6.2%)	(6.4%)	(1,249,325)	(6.8%)	(6.9%)
Other expenses	(55,210)	(0.3%)	(0.3%)	(47,588)	(0.3%)	(0.3%)
Finance costs	(113,212)	(0.6%)	(0.6%)	(99,557)	(0.5%)	(0.5%)
Share of results of investments accounted for using the equity method	<u>(22,534)</u>	<u>(0.1%)</u>	<u>(0.1%)</u>	<u>(10,196)</u>	<u>(0.1%)</u>	<u>(0.1%)</u>
Profit before taxation	829,882	4.1%	4.3%	1,252,077	6.8%	6.9%
Income tax expense	<u>(71,053)</u>	<u>(0.4%)</u>	<u>(0.4%)</u>	<u>(115,387)</u>	<u>(0.6%)</u>	<u>(0.6%)</u>
Profit for the year	758,829	3.8%	3.9%	1,136,690	6.2%	6.3%
Profit for the year attributable to the Owners of the Company	<u>759,441</u>	<u>3.8%</u>	<u>3.9%</u>	<u>1,136,911</u>	<u>6.2%</u>	<u>6.3%</u>

REVENUE

In 2022, the Group's revenue was RMB20,005.171 million (2021: RMB18,398.076 million), an increase of 8.7% YoY. In 2022, service revenue was RMB19,489.625 million (2021: RMB18,132.013 million), an increase of 7.5% YoY. The growth was mainly driven by the robust growth in Internet, telecommunications, and financial services, as well as the high-speed growth in cloud and intelligent businesses.

TPG and IIG's revenue and proportion of total revenue in 2022 are as follow:

	2022 <i>RMB'000</i>	Weight	2021 <i>RMB'000</i>	Weight	Growth <i>rate</i>
TPG	17,930,401	89.6%	16,622,352	90.3%	7.9%
IIG	2,074,770	10.4%	1,775,724	9.7%	16.8%
Total	20,005,171	100%	18,398,076	100%	8.7%

The Group's revenue includes the cloud resource resale business, which recognizes revenue on a net basis. The procurement amount for this business was RMB1,550.669 million in 2022. The Group's revenue in 2022 was RMB20,005.171 million, which has been reduced by the cloud resource procurement amount of RMB1,550.669 million, resulting in a total amount before deduction of RMB21,555.840 million.

COST OF SALES AND SERVICES

In 2022, the Group's cost of sales and services were RMB15,405.001 million (2021: RMB13,493.835 million), a year-on-year increase of 14.2%. In 2022, the proportion of the Group's sales and service costs to revenue was 77.0% (2021: 73.3%), a year-on-year increase of 3.7%.

GROSS PROFIT

In 2022, the Group's gross profit was RMB4,600.170 million (2021: RMB4,904.241 million), a year-on-year decrease of 6.2%. The gross profit margin for 2022 was 23.0% (2021: 26.7%), a year-on-year decrease of 3.7%. The proportion of the Group's gross profit to service revenue was 23.6% in 2022 (2021: 27.0%), a year-on-year decrease of 3.4%. The decrease in gross profit margin during the reporting period was mainly due to the impact of the COVID-19 pandemic and fluctuations in demand from major customers leading to an increase in one-time costs, which caused a decline in the Group's profit during the reporting period.

The Group will continue to improve its gross profit margin through the following measures in the future:

- (1) We will continue to increase the proportion of high-margin and high-output-per-employee businesses, expand our cloud services and solutions, and integrate our capabilities with Huawei Cloud. Working closely with the information infrastructure of Xinchuang (innovative industry of information technology application) solution, we will focus on key industries such as government, finance, manufacturing, transportation, and energy, with a focus on core areas such as operating systems, cloud computing, databases, toolchains, and ERP.
- (2) We will leverage AIGC technology to improve the efficiency of code generation and empower our software factory to improve quality and efficiency.
- (3) We will ensure the five-star quality of our foundational businesses and continue to turn quality into value. We will strengthen our system building and achieve leapfrog development of our organization.

OTHER INCOME

In 2022, the other income of the Group was RMB347.953 million (2021: RMB419.280 million), a decrease of 17.0% year-on-year, mainly due to the decrease in government subsidies during the reporting period compared to the previous year.

OTHER GAINS OR LOSSES

In 2022, the Group's other gains were RMB34.447 million (2021: RMB151.595 million), mainly due to exchange gains resulting from fluctuations in the HKD-RMB exchange rate during the reporting period. Additionally, in 2021, the Group's sale of subsidiary Catapult resulted in investment gains, which led to a significant increase in other gains for the year.

OPERATING EXPENSES

In 2022, the sales and distribution costs of the Group were RMB948.868 million (2021: RMB943.469 million), an increase of 0.6% year-on-year. In 2022, the sales and distribution costs accounted for 4.7% of the revenue (2021: 5.1%), a decrease of 0.4% year-on-year.

In 2022, the Group's administrative expenses were RMB1,682.638 million (2021: RMB1,755.654 million), a decrease of 4.2% year-on-year. In 2022, administrative expenses accounted for 8.4% of the revenue, a decrease of 1.1% compared to 9.5% in 2021. This was mainly due to a decrease in share-based payments compared to the previous year.

In 2022, the Group's R&D expenses amounted to RMB1,238.035 million (2021: RMB1,249.325 million), a decrease of 0.9% YoY. R&D expenses accounted for 6.2% of the Group's revenue in 2022, a decrease of 0.6% compared to 6.8% in 2021. The total amount of R&D expenditure remained relatively stable compared to last year.

FINANCE COSTS AND INCOME TAX

In 2022, the financial expenses of the Group amounted to RMB113.212 million (2021: RMB99.557 million), representing an increase of 13.7% YoY. The ratio of financial expenses to revenue was 0.6%, up 0.1% from 0.5% in 2021.

In 2022, the Group's loss from derecognition assets measured at amortized cost amounted to RMB2.740 million (in 2021: RMB5.515 million), a decrease of 50.3% year-on-year.

In 2022, the Group's income tax was RMB71.053 million (RMB: 115.387 million), a decrease of 38.4% YoY. The effective tax rate for 2022 was 8.6%, a decrease of 0.6% compared to 9.2% in 2021. The decrease was mainly due to the increase in income tax cost during the reporting period in 2021 caused by the sale of subsidiary Catapult, as well as the decline in the Group's profit during the reporting period leading to a significant decrease in income tax cost.

OTHER NON-CASH EXPENSES

In 2022, the Group's other expenses were RMB55.210 million (2021: RMB47.588 million), an increase of 16.0% year-on-year. Other expenses accounted for 0.3% of revenue, which remained the same level as last year.

In 2022, the impairment loss under expected credit loss model, net of reversals, was RMB89.451 million (2021: RMB111.735 million), a decrease of 19.9% year-on-year.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2022, the Group had a total of available cash balance (the sum of bank balances and cash, term deposits, and pledged deposits) of RMB5,112.410 million (RMB5,578.368 million in 2021).

In 2022, the Group's net current assets amounted to RMB10,047.236 million (2021: RMB9,534.026 million). The current ratio (i.e., the ratio of current assets to current liabilities) in 2022 was 3.8, up 0.4 from 3.4 in 2021.

In 2022, the Group's borrowings amounted to RMB1,928.531 million (2021: RMB1,938.291 million). The net debt ratio was calculated by dividing the borrowing amount (borrowings and convertible notes minus cash and cash equivalents, including bank balances and cash, term deposits, and pledged deposits) by the total equity. The Group's cash and cash equivalents were higher than its borrowings in both 2022 and 2021, resulting in a negative net debt ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2022, the Group achieved a profit of RMB758.829 million (2021: RMB1,136.690 million), a year-on-year decrease of 33.2%. The net profit margin for 2022 was 3.8% of revenue (2021: 6.2%), a year-on-year decrease of 2.4%. The net profit margin for 2022 was 3.9% of service revenue (2021: 6.3%), a year-on-year decrease of 2.4%.

In 2022, the Group's profit attributable to the owners of the Company was RMB759.441 million (2021: RMB1,136.911 million), a decrease of 33.2% compared to the previous year.

Based on profit attributable to the owners of the Company, the Group's basic EPS for the year 2022 was RMB26.11 cents (2021: RMB40.89 cents), representing a decrease of 36.1% year-on-year.

SEGMENT REVENUE AND RESULTS

In 2022, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2022 RMB'000	2021 RMB'000	Growth Rate	2022 RMB'000	2021 RMB'000	Growth Rate
TPG	17,930,401	16,622,352	7.9%	797,998	1,209,519	(34.0%)
IIG	2,074,770	1,775,724	16.8%	175,316	147,939	18.5%
Total	<u>20,005,171</u>	<u>18,398,076</u>	8.7%	<u>973,314</u>	<u>1,357,458</u>	(28.3%)

In terms of segment revenue, the TPG achieved a YoY growth of 7.9%, mainly driven by robust growth in Internet, telecommunications, and financial services. The IIG achieved a YoY growth of 16.8%, mainly driven by rapid growth in cloud services.

In terms of segment results, the TPG's performance decreased by 34.0% YoY, mainly due to fluctuations in demand from major customers and the impact of the COVID-19 pandemic, leading to a decline in the Group's profit and business gross profit margin. The IIG's performance increased by 18.5% YoY, mainly due to a reduction in bad debt provisions compared to the same period last year.

The Group believes that, by seizing the opportunity of industry innovation and restructuring, and leveraging the power of AI technology, the Group's business structure will continue to improve, and profitability will gradually increase in the year ahead, taking advantage of the digital economy and information and communication technology trends.

FUNDRAISING ACTIVITIES

During the current year, no fund raising activities had been conducted by the Group. The details of the fund raising activity which had been conducted by the Group with unused proceeds is summarised as below:

On 4 October 2021, the Company entered into the placing agreement with the placing agent, UBS AG Hong Kong Branch, to procure not less than six places on a best efforts basis to purchase up to an aggregate of 162,000,000 placing shares at the placing price of HK\$12.26 per placing share.

The placing shares were allotted on 12 October 2021 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2021. The net proceeds from the placing is approximately HK\$1,970 million (after deduction of commission and other expenses of the placing). The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 31 December 2022	Expected time of utilisation (Note)
Approximately HK\$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$400 million were used for the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$388 million to be for the intended use	Before 31 December 2023
Approximately HK\$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$175 million were used for developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$613 million to be for the intended use	Before 31 December 2023
Approximately HK\$394 million	For general working capital of the Company	Approximately HK\$394 million were used for general working capital of the Company	–	–

Note: The expected time frame for fully applying the unutilised proceeds is based on the best estimation of the future market conditions and strategic development made by the Group, which may be subject to changes and adjustments based on the future development of market conditions.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2022 to 31 December 2022, except for the following deviations as explained:

- (i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.
- (ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2022 in Hong Kong (the “2021 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the quarantine restrictions against COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2021 AGM.
- (iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2021 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board member who attended the 2021 AGM was available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

COMPETING INTERESTS

As at 31 December 2022, none of the Directors of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business apart from the Group's business which competed or might compete with the business of the Group.

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

During the year ended 31 December 2022, the Company repurchased 67,706,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before 31 December 2022. The total amount paid for the repurchases of HK\$401,172,820 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of shares repurchased	Highest HK\$	Lowest HK\$	Total price paid
April 2022	18,800,000	6.54	5.72	115,240,020
May 2022	8,050,000	7.00	5.71	50,869,280
June 2022	1,266,000	7.30	7.20	9,160,680
August 2022	8,000,000	6.29	5.95	48,805,260
September 2022	29,600,000	6.00	4.82	167,057,300
October 2022	1,990,000	5.09	4.96	10,040,280
	<u>67,706,000</u>			<u>401,172,820</u>

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group’s financial reporting and internal control system. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2022.

During the year from 1 January 2022 to 31 December 2022, the Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie and Dr. Lai Guangrong as the members of the Audit Committee.

The Group’s unaudited interim results and audited annual results during the year ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK\$0.0567 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2022. The proposed dividend payments from share premium account of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on Monday, 22 May 2023 at 2:00 p.m.. Upon shareholders’ approval at the upcoming annual general meeting, the proposed final dividend will be paid on Monday, 26 June 2023 to shareholders whose names shall appear on the register of members of the Company on Friday, 9 June 2023.

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 May 2023.

- (b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 June 2023.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Monday, 22 May 2023 at 2:00 p.m.. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been prepared in English and Chinese respectively. In case of discrepancy, the Chinese version shall prevail, except for the financial statements prepared in accordance with International Financial Reporting Standards, where the English version shall prevail. This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinasofti.com). The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Chinasoft International Limited
Dr. CHEN Yuhong
Chairman and Chief Executive Officer

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer), Dr. He Ning (Vice Chairman) and Dr. Tang Zhenming, two non-executive Director, namely Dr. Zhang Yaqin and Mr. Gao Liangyu, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan.

* *For identification purposes only*