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SINOSOFT
TECHNOLOGY

SINOSOFT TECHNOLOGY GROUP LIMITED

中國擎天軟件科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1297)

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

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2022 was approximately RMB 572.2 million, representing a decrease of approximately 2.4% as compared to approximately RMB 586.4 million for the year ended 31 December 2021.
- Loss and total comprehensive expense for the year ended 31 December 2022 was approximately RMB 153.7 million, as compared to profit and total comprehensive income of approximately RMB 15.0 million for the year ended 31 December 2021.
- Basic loss per share for the year ended 31 December 2022 was RMB 12.50 cents, as compared to basic earnings per share of RMB 1.29 cents for the year ended 31 December 2021.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sinosoft Technology Group Limited (the “**Company**”) is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	NOTE	RMB'000	RMB'000
Revenue	3	572,174	586,413
Value-added tax refund		—	2
Cost of sales		(419,048)	(398,576)
Research and development costs		(117,187)	(81,269)
Impairment losses recognised on trade receivables, net		(93,921)	(12,826)
Impairment losses recognised on property, plant and equipment		(211)	—
Impairment losses recognised on intangible assets		(41,043)	—
Other income and gains	4	34,978	16,079
Other expenses and losses	5	(9,413)	(677)
Distribution and selling expenses		(27,025)	(24,537)
General and administrative expenses		(39,984)	(64,909)
Finance costs		(1,316)	(2,089)
(Loss)/profit before tax	6	(141,996)	17,611
Income tax expense	7	(11,678)	(2,598)
(Loss)/profit and total comprehensive (expense)/ income for the year		(153,674)	15,013

		2022	2021
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit and total comprehensive (expense)/			
income for the year attributable to:			
— Owners of the Company		(152,839)	15,806
— Non-controlling interests		(835)	(793)
		<u>(153,674)</u>	<u>15,013</u>
		(153,674)	15,013
		2022	2021
		<i>RMB cents</i>	<i>RMB cents</i>
(Loss)/earnings per share — basic and diluted	9	(12.50)	1.29
		<u>(12.50)</u>	<u>1.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTE	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		79,694	83,923
Right-of-use assets		12,868	13,228
Intangible assets	10	301,976	343,576
Restricted bank deposits		43,137	28,160
Pledged bank deposits		486	491
Time deposits with original maturities over three months		88,160	70,000
Financial assets at fair value through profit or loss		—	—
		526,321	539,378
CURRENT ASSETS			
Inventories		2,611	968
Contract costs		14,075	—
Trade, bills and other receivables	11	1,383,099	1,491,309
Restricted bank deposits		4,175	—
Pledged bank deposits		561	2,019
Time deposits with original maturities over three months		70,000	—
Bank balances and cash		118,333	201,399
		1,592,854	1,695,695
CURRENT LIABILITIES			
Trade and bills payables	12	86,880	84,020
Other payables		97,393	92,524
Contract liabilities		1,912	16,372
Borrowings	13	50,000	20,000
Tax liabilities		—	883
		236,185	213,799
NET CURRENT ASSETS		1,356,669	1,481,896
TOTAL ASSETS LESS CURRENT LIABILITIES		1,882,990	2,021,274
NON-CURRENT LIABILITY			
Deferred tax liabilities	14	88,895	77,207
NET ASSETS		1,794,095	1,944,067
CAPITAL AND RESERVES			
Share capital		9,876	9,876
Reserves		1,784,219	1,937,058
Equity attributable to owners of the Company		1,794,095	1,946,934
Non-controlling interests		—	(2,867)
TOTAL EQUITY		1,794,095	1,944,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2013. Its ultimate parent undertaking is Long Capital International Limited. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries in the People's Republic of China (the "**PRC**") are software development, system integration, sales of related computer products and provision of other related services.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs**")**

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") 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 IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current year has 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.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is organised into different business units by products and services, based on which information is prepared and reported to the Group's chief operating decision-maker (the "CODM") (i.e., the board of directors of the Company) for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into two core product and service lines, namely government big data software and related services and low carbon & ecology software and related services. These products and services form the basis on which the Group reports its segment information.

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

(i) Disaggregation of revenue from contracts with customers within the scope of IFRS 15

Segments	Year ended 31 December 2022		
	Government big data software and related services <i>RMB'000</i>	Low carbon & ecology software and related services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service			
Sales of software products	542,629	26,250	568,879
Sales of hardware products	3,110	—	3,110
Service income	185	—	185
Total	545,924	26,250	572,174
Geographical market			
The PRC	545,924	26,250	572,174
Timing of revenue recognition			
At point of time	545,739	26,250	571,989
Over time	185	—	185
Total	545,924	26,250	572,174
Year ended 31 December 2021			
Segments	Government big data software and related services <i>RMB'000</i>	Low carbon & ecology software and related services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service			
Sales of software products	495,609	79,618	575,227
Sales of hardware products	10,728	—	10,728
Service income	458	—	458
Total	506,795	79,618	586,413
Geographical market			
The PRC	506,795	79,618	586,413
Timing of revenue recognition			
At point of time	506,337	79,618	585,955
Over time	458	—	458
Total	506,795	79,618	586,413

(ii) Performance obligations for contracts with customers

The Group develops and sells software and hardware products to customers as well as provision of services which include software design and development of software services to customers.

Revenue from sales of software products

Revenue from sales of software products to customers is recognised when control of the goods has been transferred, being when the software has been installed into customers' system and received customers' acceptance.

Revenue from sales of hardware products

Revenue from sales of hardware products to customers is recognised when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer and accepted by the customer.

Revenue from services income

For software operation and maintenance services which is recognised as a performance obligation satisfied over time based on output method, as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2022 and 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of 1 year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Segment results

Year ended 31 December 2022

	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	<u>545,924</u>	<u>26,250</u>	<u>572,174</u>
Segment profit/(loss)	<u>60,573</u>	<u>(24,634)</u>	35,939
Impairment losses recognised on trade receivables, net			(93,921)
Impairment losses recognised on property, plant and equipment			(211)
Impairment losses recognised on intangible assets			(41,043)
Other income and gains			34,978
Other expenses and losses			(9,413)
Distribution and selling expenses			(27,025)
General and administrative expenses			(39,984)
Finance costs			<u>(1,316)</u>
Loss before tax			<u>(141,996)</u>

Year ended 31 December 2021

	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	<u>506,795</u>	<u>79,618</u>	<u>586,413</u>
Segment profit	<u>96,557</u>	<u>10,013</u>	106,570
Impairment losses recognised on trade receivables, net			(12,826)
Other income and gains			16,079
Other expenses and losses			(677)
Distribution and selling expenses			(24,537)
General and administrative expenses			(64,909)
Finance costs			<u>(2,089)</u>
Profit before tax			<u>17,611</u>

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for current and prior year.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the sum of revenue and value-added tax refund less cost of sales and research and development costs of the relevant services/product line. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Geographical information

The Group’s non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities.

Information about major customers

No single customer accounted for 10% or more of the total revenue for both the years ended 31 December 2022 and 2021.

4. OTHER INCOME AND GAINS

	Year ended 31 December	
	2022 RMB’000	2021 RMB’000
Gain on disposal of a subsidiary (<i>Note 15</i>)	22,851	—
Interest income	8,758	9,860
Government grants (<i>Note (a)</i>)	511	1,709
Rental income (<i>Note (b)</i>)	2,240	3,477
Gain on disposal of property, plant and equipment	131	—
Others	487	1,033
	34,978	16,079

Notes:

- (a) The grants represent incentives received by the PRC subsidiaries for eminent contributions to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred, nor are they related to any assets.
- (b) For the year ended 31 December 2022, rental income of RMB 1,639,000 and RMB 601,000 (2021: RMB 3,477,000 and RMB Nil) is respectively from related companies, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited and Jiangsu Skytech Industrial Internet Co., Limited (“**Industrial Internet**”), which Ms. Xin Yingmei (“**Ms. Xin**”), chairlady of the Company, has common control.

5. OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	—	5
Net foreign exchange losses	449	294
Provision for litigation (<i>Note 16(ii)</i>)	8,853	—
Others	111	378
	<u>9,413</u>	<u>677</u>

6. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation of property, plant and equipment	7,574	7,058
Depreciation of right-of-use assets	360	391
Amortisation of intangible assets:		
— Amortisation of capitalised software costs (included in cost of sales)	107,290	98,475
— Amortisation of other software (included in research and development costs)	114,471	78,504
	<u>221,761</u>	<u>176,979</u>
	<u>229,695</u>	<u>184,428</u>
Directors' emoluments	3,913	3,911
Cost of defined contribution retirement benefit plans	3,578	3,128
Employee benefits expenses	86,876	92,078
	<u>94,367</u>	<u>99,117</u>
Total staff cost	94,367	99,117
Less: amount included in capitalised software costs	(70,465)	(71,755)
	<u>23,902</u>	<u>27,362</u>
Impairment losses recognised on trade receivables, net	93,921	12,826
Impairment losses recognised on property, plant and equipment	211	—
Impairment losses recognised on intangible assets	41,043	—
Auditor's remuneration		
— audit services	1,517	1,420
— non-audit services	590	575
	<u>2,107</u>	<u>1,995</u>
Research and development costs recognised as an expense	117,187	81,269
Cost of inventories recognised as an expense	63,968	150,146

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	—	2,599
Over provision in prior years	(10)	(2,914)
Deferred tax (<i>Note 14</i>)	11,688	2,913
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	11,678	2,598
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- (i) No provision for profits tax in the Cayman Islands and Singapore has been made as the Group has no assessable profits for the years in those jurisdictions.
- (ii) Nanjing Skytech Co., Limited (“**Nanjing Skytech**”) was qualified as a High-tech Enterprise from 2019 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%). In addition to being recognised as a “High-tech Enterprise”, if an enterprise is approved and certified by relevant regulatory authorities as “Key Software Enterprise under the National Plan” for the year, it can further enjoy a preferential tax rate of 10%.

As at 31 December 2022, the Company has applied in renewing the recognition of “Key Software Enterprise under the National Plan”. The Company will continue to apply for the reduction. The management are of the opinion that the Company can obtain the recognition and has used the preferential tax rate of 10% for the year ended 31 December 2022 (2021:10%).

- (iii) Other PRC subsidiaries of the Group applied the tax rate of 25%.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before taxation	(141,996)	17,611
Tax at income tax rate of 25% (2021: 25%)	(35,499)	4,403
Tax effect of expenses not deductible for tax purpose	9,849	13,040
Tax effect of income not taxable for tax purpose	(6,145)	(145)
Over provision in respect of prior years	(10)	(2,914)
Tax effect of tax losses not recognised	8,940	2,574
Utilisation of tax losses previously not recognised	—	(876)
Effect of PRC EIT exemption and concessions	—	(5,073)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(14,678)	(15,411)
Tax effect of deductible temporary difference not recognised	37,533	—
Withholding income tax on undistributed profits attributable to the PRC subsidiaries	11,688	7,000
	11,678	2,598

8. DIVIDENDS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distribution during the year:		
Final dividend of RMB 20.05 cents per share in respect of year ended 31 December 2020	—	245,088

The directors of the Company do not recommend the payment of final dividend in respect of years ended 31 December 2022 and 2021.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/earnings		
(Loss)/earnings for the purposes of basic (loss)/earnings per share, being (loss)/profit for the year attributable to owners of the Company	<u>(152,839)</u>	<u>15,806</u>
	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,222,385</u>	<u>1,222,385</u>

For the years ended 31 December 2022 and 2021, dilutive earnings per share has not been calculated as there were no potential dilutive shares outstanding.

10. INTANGIBLE ASSETS

	Capitalised software costs <i>RMB '000</i>	Other software <i>RMB '000</i>	Total <i>RMB '000</i>
COST			
At 1 January 2021	749,880	398,903	1,148,783
Additions	88,404	123,229	211,633
	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	838,284	522,132	1,360,416
Additions	103,228	117,976	221,204
	<hr/>	<hr/>	<hr/>
At 31 December 2022	941,512	640,108	1,581,620
	<hr/>	<hr/>	<hr/>
AMORTISATION AND IMPAIRMENT			
At 1 January 2021	505,884	333,977	839,861
Charge for the year	98,475	78,504	176,979
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At 31 December 2021 and 1 January 2022	604,359	412,481	1,016,840
Charge for the year	107,290	114,471	221,761
Impairment loss recognised in the year	33,637	7,406	41,043
	<hr/>	<hr/>	<hr/>
At 31 December 2022	745,286	534,358	1,279,644
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 31 December 2022	196,226	105,750	301,976
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At 31 December 2021	233,925	109,651	343,576
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Capitalised software costs	3 years
Other software	2 years

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	1,349,863	1,326,083
Less: Allowance for credit losses	(119,842)	(31,529)
	<hr/>	<hr/>
Trade receivables, net	1,230,021	1,294,554
Bills receivables	1,477	—
	<hr/>	<hr/>
Total trade and bills receivables	1,231,498	1,294,554
Prepayments to suppliers	125,380	175,976
Deposits	5,600	6,633
Advances to employees	559	1,738
Amount due from a related company (<i>Note</i>)	18,556	—
Others	1,506	12,408
	<hr/>	<hr/>
	1,383,099	1,491,309
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Note: The amount due from a related company is unsecured, interest free and repayment on demand.

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement within a year. The following is an aged analysis of trade receivables, net of allowance for credit losses and is presented based on the date of delivery of goods or the rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 — 60 days	230,008	282,919
61 — 90 days	3,293	1,302
91 — 180 days	7,868	5,417
181 — 365 days	97,083	107,633
Over 1 year but less than 2 years	257,887	279,788
Over 2 years	633,882	617,495
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	1,230,021	1,294,554
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The following is an aged analysis of bills receivables presented based on the bill issue date.

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
61 – 90 days	1,377	—
91 – 180 days	100	—
	<hr/>	<hr/>
	1,477	—
	<hr/> <hr/>	<hr/> <hr/>

The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
61 – 90 days	23	—
91 – 180 days	1,354	—
181 – 365 days	100	—
	<hr/>	<hr/>
	1,477	—
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12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	86,880	83,567
Bills payables (<i>Note</i>)	—	453
	<u>86,880</u>	<u>84,020</u>
	<u>86,880</u>	<u>84,020</u>

Note: As at 31 December 2021, the Group's bills payables were secured by pledged bank deposits of the Group.

Trade and bills payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days to 1 year from the invoice date. The following is an aged analysis of trade and bills payables presented based on the date of delivery of goods or the rendering of services by vendors as at end of each reporting period:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 — 60 days	63,641	42,682
61 — 90 days	10,363	3,407
91 — 180 days	2,714	2,322
181 — 365 days	3,777	28,662
Over 1 year	6,385	6,947
	<u>86,880</u>	<u>84,020</u>
	<u>86,880</u>	<u>84,020</u>

13. BORROWINGS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate borrowing:		
— Bank loans — guaranteed	<u>50,000</u>	<u>20,000</u>

For the year ended 31 December 2022, the bank borrowings were guaranteed by corporate guarantee of Jiangsu Skytech Investment Management Co., Limited (“**Jiangsu Skytech Investment**”), a subsidiary of the Company with maximum amount of RMB 50,000,000 (2021: RMB 70,000,000). The bank borrowings carry at effective interest rate of 3% (31 December 2021: 3.85%) per annum and is repayable within one year.

14. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax liabilities	<u>88,895</u>	<u>77,207</u>

The followings are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	ECL provision of trade receivables	Capitalised software costs	Withholding tax	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	2,907	(22,739)	(67,888)	(87,720)
Credited/(charged) to profit or loss	245	3,842	(7,000)	(2,913)
Reversal upon payment of withholding tax	—	—	13,426	13,426
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	3,152	(18,897)	(61,462)	(77,207)
Charged to profit or loss	—	—	(11,688)	(11,688)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	<u>3,152</u>	<u>(18,897)</u>	<u>(73,150)</u>	<u>(88,895)</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is imposed on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group has recognised the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB 150,131,000 (2021: RMB Nil). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately RMB 102,584,000 (31 December 2021: RMB 76,095,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Unused tax losses of approximately RMB 3,391,000 (2021: RMB 5,916,000) expired at the end of the reporting period. The unused tax losses arising from subsidiaries operated in the PRC will expire in 1 to 10 years from the end of the reporting period.

15. DISPOSAL OF A SUBSIDIARY

On 10 May 2022, Nanjing Skytech entered into sale and purchase agreements with Nanjing Skytech Carbon Value Management Consulting Partnership (Limited Partnership) and Nanjing Skytech JiuTai Management Consulting Partnership (Limited Partnership)*, which are independent third parties, for disposal of its 60% equity interest in Industrial Internet at a total cash consideration of RMB 6,000,000. The net liabilities of Industrial Internet at the date of disposal were as follows:

	2022 RMB'000
Net liabilities disposed of:	
Property, plant and equipment	127
Inventories	120
Trade receivables	4
Other receivables	29
Bank balances and cash	10,086
Balance with a related company	(25,811)
Trade payables	(597)
Other payables and accruals	(511)
	<hr/>
Net liabilities disposed of	(16,553)
	<hr/> <hr/>
Gain on disposal of a subsidiary:	
Consideration received	6,000
Net liabilities disposed of	16,553
Non-controlling interests	298
	<hr/>
Gain on disposal of a subsidiary	22,851
	<hr/> <hr/>
Satisfied by:	
Cash	6,000
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Cash consideration received	6,000
Less: bank balances and cash disposed of	(10,086)
	<hr/>
	(4,086)
	<hr/> <hr/>

* — The English translation name of these companies in PRC is for identification only. Their official names are in Chinese.

16. CONTINGENT LIABILITIES AND PROVISIONS

- (i) Nanjing Skytech has been involved in a series of disputes with Janful Limited (“**Janful**”) over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People’s Court, ordering the defendants of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd (南京南華擎天資訊科技有限公司) (“**Nanhua Skytech**”). The Group had issued a defend letter and filed an appeal to the Higher People’s Court of Jiangsu Province (“**Higher Court**”). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People’s Court of The People’s Republic of China (“**Supreme People’s Court**”). On 3 August 2016, the Group received a notice of case registration from the Supreme People’s Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People’s Court. Pursuant to the Company’s further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People’s Court (the “**Beijing Court**”) for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award (“**CIETAC Arbitral Award**”) which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful’s application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful’s application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company’s announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People’s Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 31 December 2022 and prior years.

Based on the aforesaid, the Company might still liable for a damage of approximately RMB 27,906,000 to Nanhua Skytech, however, the Group would like to emphasise that as disclosed in the Company’s prospectus dated, 27 June 2013, any potential economic losses arising as a result of the above case will be borne by the original shareholders and any net loss arising from above case will only be 66.7% of the gross amount.

- (ii) Nanjing Skytech and Jiangsu Skytech Investment (collectively as “**defendants**”) have been involved in a procurement dispute with an independent third party (as “**plaintiff**”). The plaintiff claimed the outstanding contract sum and liquidated damages in the total amount of approximately RMB 10,424,000, the Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 11 October 2022, the Group received a judgment from Nanjing Jiangbei New Area People’s Court and ordered that Nanjing Skytech is required to pay a sum of approximately RMB 7,977,000 plus related costs of approximately RMB 876,000. A provision of claim in the amount of approximately RMB 8,853,000 was made as at 31 December 2022 under other payables.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2022 is a challenging year to the macro economy and the Group's operations. With the recurrence of the COVID-19 pandemic, coupled with factors including intensified geopolitical conflicts and rising risks of global stagflation, economic growth of the PRC has fallen to its lowest level in many years. The difficult economic environment inevitably slowed down the market demand for informatization products and adversely affected the Group. The Group adjusted its business strategy in response to the market development, to focus on research and development (“R&D”) in government big data products and services which have relatively stable demand, and exerted its advantages in relevant fields to sustain an overall stable income.

For the government big data market, the downward pressure of the economy has caused government departments to reduce expenditures, budgets for informatization projects were cut, projects were postponed or even halted, and payment cycles were also affected. Meanwhile, rising labor costs added pressure on the Group. Despite the difficult operating environment, the Group is committed to leveraging its years of experience in R&D of government business and keep up with the pulse of market development, to provide customers with products that meet current needs and maintained stable income and market position in government products.

The current economic environment has brought a heavy blow to the low carbon and ecology market, and together with the decelerating pace of global carbon neutrality, budget of relevant products has declined. The Group will closely monitor the market development, to adjust strategies flexibly, and prepare for the future.

REVENUE

For the year ended 31 December 2022, the Group's revenue was approximately RMB 572.2 million, representing a decrease of approximately 2.4% as compared to approximately RMB 586.4 million for the same period in 2021. The revenue decrease was mainly due to the decrease in revenue generated from low carbon & ecology software and related services.

Government Big Data Software and Related Services

For the year ended 31 December 2022, revenue generated from government big data software and related services amounted to approximately RMB 545.9 million, representing an increase of approximately 7.7% as compared to approximately RMB 506.8 million for the corresponding period in 2021. Market demand for relevant products remained stable during the year ended 31 December 2022.

Low Carbon & Ecology Software and Related Services

For the year ended 31 December 2022, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 26.3 million, representing an decrease of approximately 67.0% as compared to approximately RMB 79.6 million for the corresponding period in 2021, mainly due to the decreased demand for low carbon & ecology products under the challenging economic environment.

COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing system and components for some of its projects. During the year ended 31 December 2022, the Group's cost of sales was approximately RMB 419.0 million, representing an increase of approximately 5.1% as compared to approximately RMB 398.6 million during the year ended 31 December 2021. During the year ended 31 December 2022, both amortisation of capitalised software development cost and costs spent on purchasing system and components increased.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results represents the sum of revenue and value-added tax refund less cost of sales and research and development costs. For the year ended 31 December 2022, the Group's segment results was approximately RMB 35.9 million, representing a decrease of approximately 66.3% as compared to approximately RMB 106.6 million for the year ended 31 December 2021.

The Group's overall segment results margin was approximately 6.3% in the year ended 31 December 2022, representing a decrease from approximately 18.2% in the year ended 31 December 2021.

RESEARCH AND DEVELOPMENT COSTS

For the year ended 31 December 2022, the Group's R&D costs amounted to approximately RMB 117.2 million, representing an increase of approximately 44.2% as compared to approximately RMB 81.3 million for the year ended 31 December 2021, mainly attributable to the increased investments in developing future government big data products for long-term growth.

OTHER INCOME AND GAINS

For the year ended 31 December 2022, the Group's other income and gains amounted to approximately RMB 35.0 million, representing an increase from approximately RMB 16.1 million for the year ended 31 December 2021. The increase was mainly due to the gain on disposal of a subsidiary was recorded during the year ended 31 December 2022. Details of the disposal are set out in Note 15 to the consolidated financial statements contained in this announcement.

OTHER EXPENSES AND LOSSES

For the year ended 31 December 2022, the Group's other expenses and losses were approximately RMB 9.4 million, which were increased from approximately RMB 0.7 million for the year ended 31 December 2021. The increase was mainly due to the provision for litigation during the year ended 31 December 2022. Details of the provision for litigation are set out in Note 16 to the consolidated financial statements contained in this announcement.

DISTRIBUTION AND SELLING EXPENSES

For the year ended 31 December 2022, the Group's distribution and selling expenses were approximately RMB 27.0 million, representing an increase from approximately RMB 24.5 million for the year ended 31 December 2021. The increase was mainly attributable to the adjustment of marketing activities under the COVID-19 pandemic.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2022, the Group's general and administrative expenses were approximately RMB 40.0 million, representing a significant decrease from approximately RMB 64.9 million for the year ended 31 December 2021. The decrease was mainly due to the absence of cost incurred by the grant of awarded shares during the year ended 31 December 2022.

INCOME TAX EXPENSE

For the year ended 31 December 2022, the Group's income tax expense was approximately RMB 11.7 million, which was increased from approximately RMB 2.6 million for the year ended 31 December 2021. The increase was mainly due to the increase of deferred tax.

LOSS AND TOTAL COMPREHENSIVE EXPENSE

For the year ended 31 December 2022, the Group's loss and total comprehensive expense was approximately RMB 153.7 million, as compared to profit and total comprehensive income of approximately RMB 15.0 million for the year ended 31 December 2021.

NET CURRENT ASSETS

As at 31 December 2022, the Group had net current assets of approximately RMB 1,356.7 million (31 December 2021: approximately RMB 1,481.9 million).

TRADE RECEIVABLES

For the year ended 31 December 2022, the trade receivables turnover decreased by 13 days to 805 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2021: 818 days).

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement within a year.

Subsequent to the year ended 31 December 2022 and as of the date of this announcement, the Group has collected RMB 118.1 million of trade receivables, representing 9.6% of trade receivables outstanding as of 31 December 2022.

FINANCIAL RESOURCES AND LIQUIDITY

During the year ended 31 December 2022, the Group's primary source of funding came from cash generated from its operating activities, the net cash inflow from operating activities amounted to approximately RMB 210.6 million (2021: approximately RMB 90.7 million). As at 31 December 2022, the Group had cash and cash equivalent of approximately RMB 118.3 million (31 December 2021: approximately RMB 201.4 million).

As at 31 December 2022, the Group has bank borrowings of RMB 50 million (31 December 2021: RMB 20 million), which were denominated in RMB and were charged at fixed interest rates. The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 2.8% (31 December 2021: approximately 1.0%). Save as disclosed in Note 16 to the consolidated financial statements contained in this announcement, the Group has no other significant contingent liabilities as at 31 December 2022.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 103.2 million (31 December 2021: approximately RMB 88.4 million) and the addition to purchased software of approximately RMB 118.0 million (31 December 2021: approximately RMB 123.2 million) less the amortisation charges for the year under review.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, save as the disclosed disposal of the Group's 60% equity interest in Industrial Internet, which is set out in Note 15 to the consolidated financial statements contained in this announcement, the Group had no significant investments or material acquisitions and disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company has no future plans for significant investments or capital assets as at the date of this announcement.

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 418 employees (31 December 2021: 507). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme will be set out in the Company's annual report for the year ended 31 December 2022.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is the PRC and its functional currency is RMB. However, certain of the Group’s bank balances are denominated in United States Dollars (“USD”) and Hong Kong Dollars (“HKD”), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

During the year ended 31 December 2022, the Group recorded an exchange loss of approximately RMB 449,000 (31 December 2021: approximately RMB 294,000). This exchange loss was a result of the appreciation of RMB against the USD and HKD during the year ended 31 December 2022.

No currency hedging arrangements were made as at 31 December 2022. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any significant event subsequent to 31 December 2022.

OUTLOOK

Looking forward, the Group will actively seek new growth points in response to market changes of the new stage, and at the same time intensify its intelligent R&D to increase the investment in R&D tools such as artificial intelligence and unified integration platforms, so as to improve R&D efficiency and reduce costs.

In the field of government big data, the “14th Five-Year Plan” Digital Economy Development Plan issued by the State Council clearly stated that by 2025, the added value of the core industries in the digital economy will account for 10% of the GDP, of which intelligent government service is one of the top ten digital application scenarios. The “Construction Guidelines for National Integrated Government Big Data System” issued by the General Office of the State Council also concluded the value and function of digital government capabilities during the pandemic, and emphasized the goal of establishing an integrated government big data system, which is to focus on the development of capabilities including government data governance, big data analysis, and security protection in the post-pandemic new stage. Therefore, the demand for government big data is expected to increase.

As government informatization applications are directly connected to government users, security and reliability are extremely emphasized in software design, which brings certain difficulties to the Group in undertaking business. Yet, along with extensively utilizing artificial intelligence and big data analytics technology, as well as the continuous evolution of policy concepts, the Group will focus on developing and upgrading solutions that have new technology integrated to application capabilities, as well as products with cross-system integration capabilities, to achieve greater market share and maintain stable revenue contribution.

Different levels of government service platforms in the PRC have consolidated numerous government systems and applications, and accumulated enormous valuable data resources. The Group will leverage its industry experience and advantageous position, to transform the accumulated knowledge in businesses including judicial, government services, and grid-based governance, and seize the opportunities of increasing demands, industry policy changes, and external technology upgrades targeting the national big data strategy and digital government construction. The Group will continuously upgrade its knowledge map, machine learning, and industry intelligent algorithm products to enhance product competitiveness, and increase investment in R&D of remote service integrated equipment to open up the new market of software and hardware integrated equipment at the same time.

In the field of low carbon ecology, the Group will continue to closely monitor market developments, adopt the most appropriate and beneficial strategy for the Group's overall development, and strive for the best return in the difficult environment.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be convened and held on Wednesday, 28 June 2023 (the “AGM”). A notice concerning the AGM will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in Part 2 of Appendix 14 to the Listing Rules as its corporate governance code of practices. The Company has applied the principles of good corporate governance and complied with all of the applicable code provisions as set out in the CG Code throughout the year ended 31 December 2022, save for the deviation of code provision C.2.1 as below:

Code provision C.2.1 of the CG Code provides that, amongst others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Xin Yingmei is currently the chairlady and chief executive officer of the Company responsible for overseeing the operations of the Group.

The Board has considered the merits of separating the roles of chairlady and chief executive but is of the view that it is in the best interests of the Company to vest the two roles in Ms. Xin Yingmei. The Board considers that vesting the two roles in Ms. Xin Yingmei ensures that the Company is under a consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2022.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results for the year ended 31 December 2022 together with the Company's external and internal auditors. The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Li Dong, Mr. Chan Choo Tee and Mr. Zong Ping. Mr. Li Dong serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfil its responsibilities over audit.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and on the Company's website at *www.sinosoft-technology.com*. The annual report of the company for the year ended 31 December 2022 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and also be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Sinosoft Technology Group Limited
Xin Yingmei
Chairlady

Hong Kong, 31 March 2023

As at the date of this announcement, the executive directors of the Company are Ms. Xin Yingmei and Mr. Su Hui, the non-executive director of the Company is Mr. Ren Geng, and the independent non-executive directors of the Company are Mr. Chan Choo Tee, Mr. Li Dong and Mr. Zong Ping.