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

2022
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

NON-EXECUTIVE DIRECTOR

Mr. Ren Geng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Choo Tee
Mr. Kwauk Teh Ming, Walter
(passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
(passed away on 24 November 2022)
Mr. Li Dong *(Chairman)*
(appointed on 1 February 2023)
Mr. Chan Choo Tee
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Chan Choo Tee *(Chairman)*
Mr. Kwauk Teh Ming, Walter
(passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Su Hui

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
(passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Chan Choo Tee *(Chairman)*
Mr. Kwauk Teh Ming, Walter
(passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Su Hui
Dr. Ngai Wai Fung

COMPANY SECRETARY

Dr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, FCCA)*

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISOR

Sidley Austin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 26 Tianpu Road
Jiangpu Street
Pukou District
Nanjing City
Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

Financial Summary

A summary of the result and of the assets, equity and liabilities of the Group for the last five financial years was as follows:—

RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	572,174	586,413	533,809	606,352	718,528
Net (loss)/profit before tax	(141,996)	17,611	526,970	243,668	272,102
Income tax expense	(11,678)	(2,598)	(78,171)	(45,170)	(35,722)
Profit from discontinued operation	–	–	64,555	82,586	–
Net (loss)/profit for the year	(153,674)	15,013	513,354	281,084	236,380
Net (loss)/profit attributable to					
Owners of the Company	(152,839)	15,806	515,940	283,343	236,363
Non-controlling interests	(835)	(793)	(2,586)	(2,259)	17
Net (loss)/profit for the year	(153,674)	15,013	513,354	281,084	236,380

ASSETS AND LIABILITIES

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Assets					
Non-current assets	526,321	539,378	438,619	454,108	373,295
Current assets	1,592,854	1,695,695	2,137,153	1,513,132	1,307,046
Total assets	2,119,175	2,235,073	2,575,772	1,967,240	1,680,341
Equity and liabilities					
Equity attributable to					
Owners of the Company	1,794,095	1,946,934	2,149,523	1,633,583	1,364,487
Non-controlling interests	–	(2,867)	(2,074)	7,809	3,517
Total equity	1,794,095	1,944,067	2,147,449	1,641,392	1,368,004
Non-current liabilities	88,895	77,207	87,720	73,893	51,144
Current liabilities	236,185	213,799	340,603	251,955	261,193
Total liabilities	325,080	291,006	428,323	325,848	312,337
Total equity and liabilities	2,119,175	2,235,073	2,575,772	1,967,240	1,680,341

Chairlady Statement

On behalf of the board (the "Board") of directors (the "Director(s)") of Sinosoft Technology Group Limited (the "Company"), I am pleased to present to the shareholders the annual report and audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

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 labour 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.

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.

Xin Yingmei
Chairlady

Hong Kong, 31 March 2023

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 36 to the consolidated financial statements contained in this annual report.

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 44 to the consolidated financial statements contained in this annual report.

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 annual report, 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, LIQUIDITY AND CAPITAL STRUCTURE

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 equivalents 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%).

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves. For more details, please refer to notes 25, 29 and 38 to the consolidated financial statements.

CHARGE ON ASSETS

As at 31 December 2022, certain assets of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group. For more details, please refer to notes 19, 29 and 35 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2022, except disclosed in note 44 to the consolidated financial statements, the Group had no significant contingent liabilities.

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 Jiangsu Skytech Industrial Internet Co., Limited ("Industrial Internet"), which is set out in Note 36 to the consolidated financial statements contained in this annual report, 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 annual report.

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 is set out in the paragraphs headed "Share Option Scheme" on pages 75 to 77 of this annual report.

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.

FINAL DIVIDEND

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

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Ms. XIN Yingmei (辛穎梅), aged 55, is the chairlady, executive Director and chief executive officer of the Company. Ms. Xin was appointed as the Director on 6 January 2011, re-designated as executive Director on 31 October 2012 and re-elected as executive Director on 7 June 2022. She is a co-founder of Nanjing Skytech Co., Limited ("Nanjing Skytech"), a director of the Group's subsidiaries, namely Nanjing Skytech, Infotech Holdings Pte. Ltd., Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation") and Jiangsu Skytech Investment Management Co., Limited ("Jiangsu Skytech Investment"). She is also a director and general manager of Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong") and Jiangsu Skytech Zumoo Co., Limited (formerly known as Jiangsu Skytech Supply Chain Big Data Information Service Platform Co., Limited). She is primarily responsible for the overall business operations and strategies and policies formulation of the Group. Ms. Xin has over 35 years of experience in the IT industry and is a professional senior engineer. Ms. Xin was accredited as a professorate senior engineer by Professional Senior Qualification Accreditation Committee of Jiangsu Province (江蘇省高級專業技術資格評審委員會) on 25 November 2010. Prior to co-founding Nanjing Skytech in 1998, she was a technician of the National Sports Commission Information Centre (國家體委信息中心) from 1987 to 1992. From 1992 to 1995, she was the general manager of Nanjing Olympic Computer Co., Limited (南京奧林匹克電腦有限公司). From 1995 to 1998, she was the general manager and vice chairlady of Honest Electronics Corporation Ltd. (奧尼斯特電子集團有限公司). Ms. Xin obtained her master's degree in business administration from Nanjing University (南京大學) in September 2008. She has won several awards for her achievements including "National Key Personnel in the Promotion of the Software Industry" (推動中國軟件產業發展功勳人物), "National Outstanding Entrepreneur in the Software Industry" (中國軟件產業傑出企業家) and "Jiangsu Province Outstanding Entrepreneur in the Software Industry" (江蘇省優秀軟件企業家).

Mr. SU Hui (宿輝), aged 43, is the executive Director and chief financial officer of the Company. Mr. Su was appointed as the executive Director on 1 January 2019 and re-elected as executive Director on 7 June 2022. He is primarily responsible for supervising the financial reporting, corporate finance, treasury, tax and other related finance matters of the Group. Mr. Su has over 20 years of experience in finance. He joined the Company as the vice president in February 2013. Prior to joining the Group, Mr. Su worked in Deloitte Nanjing from 2001 to 2005 and last held the position of senior auditor. From 2005 to 2009, he was the internal audit manager at A.O.Smith (China) Investment Co., Ltd. From 2010 to 2012, he served as finance controller at A.O.Smith (Shanghai) Water Treatment Products Co., Ltd. Mr. Su received his bachelor's degree in economics from Nanjing Audit Institute, currently known as Nanjing Audit University, in June 2001. Mr. Su is a member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. REN Geng (任庚), aged 40, is the non-executive Director. Mr. Ren was appointed as the non-executive Director on 1 July 2019 and re-elected as the non-executive Director on 16 June 2020. Mr. Ren has over 10 years of experience in information technology and had assumed various management positions. Since May 2022, Mr. Ren has been the president of media and convergence communication division in Alibaba Cloud Computing Limited ("Alibaba Cloud"). From December 2018 to May 2022, he was the president of China business in Alibaba Cloud. Prior to the positions in Alibaba Cloud, Mr. Ren was the general manager of cross-border business division in Alibaba Group Holding Limited ("Alibaba Group", a company listed on the New York Stock Exchange, stock code: BABA) from March 2015 to September 2016, and was responsible for the cross-border B2B platform. Before joining the Alibaba Group, Mr. Ren worked for Huawei Technologies Co., Ltd. and served in several important management positions, including serving as general manager of Huawei Myanmar from October 2012 to March 2015 and deputy general manager of Huawei Thailand from October 2011 to July 2012. Mr. Ren has solid business background, international vision and rich management experience. Mr. Ren received his bachelor's degree in computer science and technology from the University of Electronic Science and Technology of China (電子科技大學) in the People's Republic of China in July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHAN Choo Tee (陳祖帝), aged 56, is the independent non-executive Director. Mr. Chan was appointed as the independent non-executive Director on 1 October 2021 and re-elected as the independent non-executive Director on 7 June 2022. Mr. Chan is currently a director with Credit Suisse AG Hong Kong Branch's Private Banking Asia Pacific. He has approximately 30 years of experience in banking and finance and has held senior management roles across a number of global institutions. From 1997 to 2007, Mr. Chan worked at Citigroup Private Bank (a division of multinational banking conglomerate Citigroup) and last held the positions of executive director and deputy head of the foreign exchange department. Mr. Chan was a managing director in Merrill Lynch (Asia Pacific) Limited from 2007 to 2013, taking the roles as head of foreign exchange, Asia Pacific ex-Japan, and head of wealth management product sales in Hong Kong. From 2013 to 2019, Mr. Chan worked as a managing director in Bank Julius Baer (Hong Kong) Limited, Standard Chartered Bank, and Nomura (Singapore) Limited respectively, with the roles including head of foreign exchange and head of investment products and solutions within wealth management divisions. With these positions he has held, Mr. Chan has received various management committee memberships, chairmanship of functional committees, and the bank's executive/responsible officer appointments with the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. From 2020 to 2022, Mr. Chan was a partner at Omega Proprietary Trading Pte. Ltd. in Singapore, an active participant in the global equities and financial derivatives field. Mr. Chan has extensive experience in business set-up and management, platform & product development, team management and over-saw investment products related to suitability, governance, compliance and risk management. He obtained his bachelor's degree in Business Administration from the National University of Singapore in 1991.

Mr. LI Dong (李東), aged 46, is the independent non-executive Director. Mr. Li was appointed as the independent non-executive Director on 1 February 2023. He has more than 21 years' management experience in public accounting, investment banking and corporate finance. Mr. Li currently serves as the chief financial officer of TH International Limited (NASDAQ: THCH) ("Tim Hortons China"), a premium coffee chain network in China. Prior to joining Tim Hortons China in September 2021, Mr. Li served as the chief financial officer of OneSmart International Education Group Limited (NYSE: ONE) (currently known as Meta Data Limited (NYSE: AIU)), a leading premium K-12 education company in China listed on the New York Stock Exchange from July 2017 to June 2019, and as its director from September 2017 to June 2019. Mr. Li also served as the chief financial officer for (i) Ximalaya Inc., a leading non-music audio platform in China from September 2019 to September 2021; and (ii) Ecovacs Robotics Holdings Limited (科沃斯機器人股份有限公司), a leading consumer robotics company in China listed on the Shanghai Stock Exchange (SSE: 603486). From September 2008 to March 2015, Mr. Li worked as an associate and later vice president at the investment banking group of Merrill Lynch (Asia Pacific) Limited and as vice president in investment banking department of ICBC International Holdings Limited in Hong Kong. Prior to that, Mr. Li worked in KPMG's auditing practice group from August 1999 to April 2006 in its Beijing and Mountain View, California offices, respectively. Mr. Li has served as an independent non-executive director and the chairman of the audit committee of Logory Logistics Technology Co., Ltd. (合肥維天運通信息科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2482), and Helens International Holdings Company Limited (海倫司國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 9869) since March 2023 and August 2021 respectively. He also has served as an independent director of GreenTree Hospitality Group Ltd., a leading hospitality management group in China listed on the New York Stock Exchange (NYSE: GHG) since March 2018; and an independent director of Boqii Holding Limited, China's largest pet-focused platform listed on the New York Stock Exchange (NYSE: BQ) since September 2020. Mr. Li obtained his bachelor's degree in accounting from School of Economics and Management, Tsinghua University in July 1999, as well as a master's degree in business administration from J. L. Kellogg School of Managemetn, Northwestern University in United States in June 2008. Mr. Li became a member of the Chinese Institute of Certified Public Accountants in 2022 and a member of the Certified General Accountants Association of Canada in 2001.

Mr. ZONG Ping (宗平), aged 66, is the independent non-executive Director. Mr. Zong was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 26 May 2021. He has extensive experience in teaching computer science and research in the related field. From 1992 to 1995, Mr. Zong worked as a visiting scholar at Oldenburg University in Germany. From 2002 to 2004, Mr. Zong was a professor at Hohai University (河海大學). From 2004 to present, Mr. Zong has been a professor at Nanjing University of Posts and Telecommunications (南京郵電大學). Mr. Zong is currently a senior member of the China Computer Federation (中國計算機學會) and a standing member of Jiangsu Information Technology Application Society (江蘇省資訊技術應用學會). Mr. Zong received a bachelor's degree in computing from East China College of Hydraulic Engineering (華東水利學院), now known as Hohai University (河海大學) in February 1982 and a doctorate degree in water conservancy and hydropower engineering from Hohai University (河海大學) in April 2008.

SENIOR MANAGEMENT

Mr. MA Ming (馬明), aged 53, is the vice president of the Company responsible for the sales and marketing and customer services of the Group. Mr. Ma is a co-founder of Nanjing Skytech and is also the vice president of Nanjing Skytech, where he is primarily responsible for the business development and product marketing of the software division of the company. He is also a director of Nanjing Skytech and Jiangsu Skytech Investment. He is also a director and general manager of Zhenjiang Skyinformation, Qingdao Skytech Software Co., Limited and Nanjing Aisita Real Estate Co., Limited. Mr. Ma has over 25 years of experience in the software industry. Prior to co-founding Nanjing Skytech in 1998, he was a department manager in Nanjing Honest Electronics Co., Ltd. (南京奧尼斯特有限公司) from 1994 to 1999. Mr. Ma received a diploma in computer science and technology from Nanjing University of Science and Technology (南京理工大學) in July 1999 through distance learning.

Mr. JIANG Xiqiang (江錫強), aged 42, is the co-chief operating officer of the Company responsible for overall operation and new market development. Mr. Jiang has over 12 years of experience in information technology. He joined the Company as a system architect in July 2011 and promoted as co-chief operating officer in January 2021. Prior to joining the Group, Mr. Jiang was a lecturer and director of training center of Ningbo Dahongying Vocational Technical College, currently known as Ningbo University of Finance and Economics, from July 2003 to January 2006. Mr. Jiang received his bachelor's degree in information management and information system from Nanjing University of Posts and Telecommunications in July 2003 and his master's degree in distributed networking from University of Franche-Comté in March 2010. Mr. Jiang has won Nanjing Jiangbei New Area's first "Ten Outstanding Young Persons Award" in 2019. Mr. Jiang is currently a vice chairman of the Data Management Application & Promotion Branch of China Electronics Standardization Technology Association (中國電子工業標準化技術協會數據管理應用推進分會), a director of China Software Industry Association (中國軟件行業協會), and a director of China Industrial Technology Software Industry Alliance (中國工業技術軟件化產業聯盟).

Mr. SUN Jiejing (孫潔晶), aged 41, is the chief technology officer of the Company responsible for product research and technical development planning. Mr. Sun has over 18 years of experience in information technology. He joined the Company as a R&D engineer in June 2004 and promoted as chief technology officer in January 2021. Mr. Sun received his bachelor's degree in computer science and technology from Nanjing University of Aeronautics and Astronautics in June 2004 and his master's degree in public administration from Dalian Maritime University in June 2019.

Save as otherwise disclosed, there is no relationship between any of members of the Board and senior management, and there is no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B (1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Report

CORPORATE PURPOSES, VALUES, STRATEGY AND CULTURE

We are an experienced provider of application software products and solutions in the PRC. We principally develop and market software and solutions, namely government big data software and related services and low carbon & ecology software and related services.

Our experience in developing e-Government solutions for the past decade has enabled us to understand what different government agencies need, in addition to applying advanced technologies such as cloud computing and big data, our sophisticated government big data software and related services are applied by customers in many provinces and municipals across the country.

We pride ourselves in having obtained various widely recognised accreditations in the IT industry within our operational history. Among others, we were one of the “Key Software Enterprises under the National Plan” in the PRC. We had been one of the enterprises that possess Grade 1 accreditation of the Computer Information System Integration Qualification from MIIT. Since October 2012, we were accredited with CMMI Level 5, regarding the standard of planning, engineering, software development, managing and maintenance procedures.

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures. In order to safeguard the interests of shareholders and to enhance corporate values and accountability, the Group is committed to maintaining high standards of corporate governance. The Company has adopted the Corporate Governance Code (the “CG Code”) in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors, having reviewed the corporate governance practices of the Company, confirm that during the year ended 31 December 2022, save for the deviation of code provision C.2.1 disclosed as below, 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 which were in force during the year ended 31 December 2022 and as at 31 December 2022.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code (among others) provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairlady and chief executive officer and 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 officer but is of the view that it is in the best interests of the Company to vest two roles in Ms. Xin Yingmei. The Board considers that vesting two roles in Ms. Xin Yingmei will ensure the Company 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.

DIRECTORS' 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director, a written annual confirmation of his independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. The Directors were not aware of any material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 79 to 84.

Function of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. The Board has delegated the authority and responsibilities to the management for the day-to-day operations of the Group.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Board Composition

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. At least one of the independent non-executive Directors possess the appropriate professional accounting qualifications and financial management expertise, which complies with the requirements of the Listing Rules. Save as disclosed in the announcement dated 25 November 2022 regarding the non-compliance with Rules 3.10(1), 3.10(2) and 3.10A following the passing away of Mr. Kwauk Teh Ming, Walter ("Mr. Kwauk"), the Company has complied with Rules 3.10 and 3.10A of the Listing Rules. The Group has appointed Mr. Li Dong on 1 February 2023 to replace Mr. Kwauk, and the relevant requirements have duly been complied with since 1 February 2023. As at the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, auditing, investments and IT. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interest of the Company and its shareholders.

The Board comprises the following Directors:

Executive Directors
Ms. Xin Yingmei *(Chairlady and chief executive officer)*
Mr. Su Hui

Non-executive Director
Mr. Ren Geng

Independent non-executive Directors
Mr. Chan Choo Tee
Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Zong Ping

There are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board. The brief biographic details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15.

Appointment and Re-Election of Directors

All Directors are appointed for a specific term. Ms. Xin Yingmei, the executive Director, is under a service contract with the Company for a term of three years commencing on 9 July 2022, whereas Mr. Su Hui, the executive Director, is under a service contract with the Company for a term of three years commencing on 1 January 2022. Mr. Ren Geng, the non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 July 2022. Mr. Chan Choo Tee, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing on 1 October 2021, Mr. Li Dong, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing on 1 February 2023, whereas Mr. Zong Ping, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing on 31 October 2021.

The procedures and process of appointment, re-election and removal of directors are laid down in the articles of association of the Company (the "Articles of Association"). According to the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting ("AGM"). Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM.

In accordance with Article 84 of the Articles of Association, Mr. Ren Geng and Mr. Zong Ping shall retire and being eligible, shall offer themselves for re-election at the AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Li Dong will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

At the AGM, separate ordinary resolutions will be proposed to re-elect Mr. Ren Geng as a non-executive Director, Mr. Li Dong and Mr. Zong Ping each as an independent non-executive Director.

The Board and the nomination committee of the Company (the "Nomination Committee") recommended their re-appointments. A circular, which will contain detailed information of the above three retiring Directors as required by the Listing Rules, will be sent to the Company's shareholders in due course.

Directors' Training

All Directors confirmed that they had complied with code provision C.1.4 of the CG Code throughout the year ended 31 December 2022, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2022, the Company has arranged training sessions covering topics on the Listing Rules, internal controls and PRC laws. These were conducted by the Company's Hong Kong legal adviser, internal control auditor and PRC legal adviser. All relevant training materials have been distributed to the Directors. The topics covered include disclosure requirements under the Listing Rules, inside information under the Securities and Futures Ordinance (Cap. 571), operational risk, fraud risk management, fundamentals of internal control, etc.

Name of Directors	Topics on training covered
Ms. Xin Yingmei	I, L, P
Mr. Su Hui	I, L, P
Mr. Ren Geng	I, L, P
Mr. Chan Choo Tee	I, L, P
Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022)	I, L, P
Mr. Zong Ping	I, L, P

Note:

I: Internal control
L: Listing Rules updates
P: PRC laws

Board Meeting and Procedures

Pursuant to the then applicable code provision C.5.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year.

The Board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice in writing, and a meeting of the Company other than an annual general meeting or extraordinary general meeting for the passing of a special resolution shall be called by at least 14 clear days' notice in writing. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director shall abstain from voting on the relevant resolutions and he/she shall not be counted as a quorum in the Board meeting discussing the matter concerned.

Set out below are details of the attendance record of each Director at the Board meetings, committee meetings and general meetings of the Company held during the year ended 31 December 2022:

	Attendance/Number of Meetings Held					
Name of Directors	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Investment Management Committee	General Meeting
Executive Directors						
Ms. Xin Yingmei	(Chairlady) 6/6	–	(Chairlady) 2/2	–	–	1/1
Mr. Su Hui	6/6	–	–	2/2	–	1/1
Non-executive Director						
Mr. Ren Geng	2/6	–	–	–	–	0/1
Independent Non-executive Directors						
Mr. Chan Choo Tee	6/6	2/2	–	(Chairman) 2/2	(Chairman) 2/2	1/1
Mr. Kwauk Teh Ming, Walter[1]	6/6	(Chairman) 2/2	2/2	2/2	2/2	1/1
Mr. Zong Ping	6/6	2/2	2/2	–	2/2	(Chairman) 1/1

Note:

1. Mr. Kwauk Teh Ming, Walter has passed away on 24 November 2022.

BOARD COMMITTEES

The Board has established four committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the Nomination Committee and the investment management committee (the "Investment Management Committee"), for overseeing particular aspects of the Group's affairs. All committees have been established with defined written terms of reference, which were posted on the Company's website (www.sinosoft-technology.com) and the website of the Stock Exchange (www.hkexnews.hk). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established on 11 June 2013 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control procedures of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter (Chairman) (passed away on 24 November 2022 and succeeded by Mr. Li Dong), Mr. Chan Choo Tee and Mr. Zong Ping. The Group's accounting principles and practices, financial statements and related materials for the year ended 31 December 2022 had been reviewed by the Audit Committee.

During the year ended 31 December 2022, the Audit Committee held two meetings for discussion on issues arising from the audit and financial reporting matters, risk management and internal control systems, and effectiveness of the internal audit function.

Full minutes of the Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Audit Committee meetings were sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee were reported to the Board subject to applicable restriction.

The external auditors were invited to attend the Audit Committee meetings held during the year ended 31 December 2022 to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The terms of reference of the Audit Committee are available on the websites of the Company and of the Stock Exchange.

Nomination Committee

The Nomination Committee was established on 11 June 2013, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience. The Nomination Committee comprises a total of three members, being one executive Director, namely, Ms. Xin Yingmei (Chairlady), and two independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022 and succeeded by Mr. Li Dong) and Mr. Zong Ping. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2022, the Nomination Committee held two meetings to review the independence of the independent non-executive Directors, current structure of the Board, the Board diversity policy and make recommendations to the Board regarding the nomination of directors.

Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings were sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Nomination Committee are available on the website of the Company and of the Stock Exchange.

Nomination Policy

The Company adopted a nomination policy on 18 January 2019. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors of the Company at general meetings or to the Board for appointment as directors to fill casual vacancies. The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity;
- Experience in the information technology industry, in particular, in the software development, system integration, sales of computer products and services;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age (18 years old or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The following procedures for the Board and a shareholder to propose a person for election as a director are subject to the Articles of Association, the Companies Law of the Cayman Islands and applicable legislation and regulation:

The Board proposing a person for election as a director

The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite nominations of candidates for consideration prior to make recommendation to the Board. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

Until the issue of the shareholder circular, the nominated candidates shall not assume that they have been proposed by the Board to stand for election at the general meeting.

A shareholder proposing a person for election as a director

If a shareholder wishes to propose a person other than a director of the Company for election as a director, the shareholder must deposit a written notice (the "Notice") to the head office of the Company at No. 26 Tianpu Road, Jiangpu Street, Pukou District, Nanjing City, Jiangsu, The PRC, or the branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for the attention of the company secretary of the Company.

The Notice must state clearly the name of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a director.

The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of directors of the Company and end no later than 7 days prior to the date of such general meeting. If the Notice is received less than 15 days prior to the general meeting, the Company will need to consider the adjournment of the general meeting in order to give shareholders 14 days' notice of the proposal.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a director.

For details, please refer to the nomination policy which is available on the Company's website.

Board Diversity Policy

The Board has adopted a board diversity policy on 29 August 2013. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year ended 31 December 2022 and as at the date of this annual report, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the IT industry, experience in international trade, finance, investment and corporate management, to professional qualifications in the accounting and auditing fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company. As at 31 December 2022, the Board consists of five male and one female. Board members are of ages ranging from 40 to 66 years old. The members of the Board include different cultural and educational backgrounds.

After due consideration, the Board believes that the Board comprised of Directors with elite management level has achieved measurable objectives and is in line with the Board Diversity Policy. When considering the addition of new Board members or Director successors, the Board will identify and select suitable Board members or Director successors from various channels, including but not limited to internal promotion, Board member recommendation and external recruitment.

As at 31 December 2022, male employees accounted for 83% and female employees accounted for 17% of all employees (including senior management) of the Group. To achieve gender diversity, we are committed to creating favorable conditions in our working environment to attract more female to join the Group, and thus increase the proportion of female employees (including senior management) by years, making us a gender-balanced company. The gender balance plan includes hiring and promoting more female to hold appropriate positions, including senior management positions, based on the qualifications, experience and skills required for those positions. In addition, we may face the issue of whether the supply of female personnel in the human resources market matches the academic qualifications, experience and skills required for positions within the Group. Despite these challenges, we are still moving towards gender balance.

Remuneration Committee

The Remuneration Committee was established on 11 June 2013, with specific written terms of reference for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors. The Remuneration Committee comprises a total of three members, being one executive Director, namely, Mr. Su Hui, and two independent non-executive Directors, namely, Mr. Chan Choo Tee (Chairman) and Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022 and succeeded by Mr. Li Dong). Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2022, the Remuneration Committee held two meetings to review the remuneration package of Directors and senior management and submit proposals to the Board.

Full minutes of the Remuneration Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Remuneration Committee meetings were sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Remuneration Committee are available on the websites of the Company and of the Stock Exchange.

Investment Management Committee

The Investment Management Committee was established on 31 October 2012, with specific written terms of reference to help enhance the effectiveness of the Group's internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions. The Investment Management Committee comprises a total of three members, all being independent non-executive Directors, namely, Mr. Chan Cho Tee (Chairman), Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022 and succeeded by Mr. Li Dong) and Mr. Zong Ping.

During the year ended 31 December 2022, the Investment Management Committee held two meetings to review the current investment policy of the Group and review the investment performance report for the year.

Full minutes of the Investment Management Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Investment Management Committee meetings were sent to all members of the Investment Management Committee for comments and approval and all decisions of the Investment Management Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Investment Management Committee are available on the websites of the Company and of the Stock Exchange.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee has been appointed by the Board to perform the corporate governance function. The Company adopted the code provision A.2.1 of the CG Code in performing its corporate governance functions. During the year ended 31 December 2022, the Company has performed the following duties in respect of its corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited as its external auditor for the year ended 31 December 2022. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2022, the fees payable to Baker Tilly Hong Kong Limited in respect of its audit and review of interim results services provided to the Company were approximately RMB 1.52 million and RMB 220,000 respectively, excluding approximately RMB 21,000 paid to Baker Tilly Hong Kong Advisory and Tax Limited for the provision of income tax services. Also, the fees payable to BT Corporate Governance Limited in respect of its internal control review services provided to the Company was approximately RMB 349,000.

SENIOR MANAGEMENT'S REMUNERATIONS

The Group's senior management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remuneration paid to a total of the three senior management (excluding Directors) by bands for the year ended 31 December 2022 is set out below:

Remuneration band	Number of individuals
RMB 1,000,000 and below	3

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2022, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the year ended 31 December 2022, the Group appointed BT Corporate Governance Limited ("BTCGL") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvement measures in internal control and risk management as recommended by BTCGL to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCGL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Enterprise Risk Management Framework

The Group established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The Group's risk management framework follows the COSO Enterprise Risk Management Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

For the year ended 31 December 2022, no principal risks, including strategic risks, operational risks, financial risks and compliance risks was identified by the Group.

Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team, and independent internal audit outsourced to and conducted by BTCGL. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and its potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. The annual risk assessment process ensures that the Group can actively manage the risks it faces, that is, all risk owners have the right to review the risk register to understand and raise awareness of the risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group's risk management activities are performed by management on an ongoing process. The effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress and status of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Apart from the internal audit function of the Group, the Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

MECHANISM FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

The Board has adopted the "Mechanism for the Board to Obtain Independent Views and Opinions", which clarifies the procedures and channels for Directors to seek advice from external professional consultants and obtain information, as well as the qualifications, number and time contributed by independent non-executive Directors to ensure independent views and opinions available to the Board. The Board will also review the implementation and effectiveness of this mechanism on a yearly basis.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Dr. Ngai Wai Fung ("Dr. Ngai"), the company secretary, is currently the director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited), a corporate service provider. The primary corporate contact person at the Company is Mr. Su Hui, the executive Director. Dr. Ngai has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communications between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

Shareholders of the Company are requested to follow article 58 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to Convene an Extraordinary General Meeting".

The procedures for shareholders of the Company to propose a person for election as Director which are set out above in the paragraph headed "A shareholder proposing a person for election as a director" are available on the Company's website.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of AGM will be voted by poll.

DIVIDEND POLICY

The Company adopted a dividend policy on 18 January 2019. The Company intends to provide the shareholders with an annual dividend of not more than 30% of the Company's net profit attributable to the shareholders subject to the Articles of Association, Cayman Islands Companies Law, and the approval of the shareholders. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner, or will not even declare and pay dividends at all.

The Company may from time to time consider paying an interim dividend and special dividend. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend for the year will be subject to the shareholders' approval.

The Directors may recommend a payment of dividend after taking into account the following factors:

- the Company's current and future operations;
- the Company's earnings;
- the Company's financial condition;
- the Company's cash requirements and availability;
- the Company's capital expenditure and future development requirements; and
- other factors as it may deem relevant at such time.

Future dividend payment will also depend upon the availability of dividends received from the Company's foreign-invested subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Reporting Standards. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distribution from the Company's foreign invested subsidiary may also be restricted if it incurs debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or the Company's subsidiaries and associated companies may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Company's operations.

The Board will review the dividend policy from time to time and may adopt changes as appropriate at the relevant time.

INVESTOR RELATIONS

The Company has adopted and is committed to a shareholder communication policy (the "Shareholder Communication Policy") of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;

- Publication of announcements on the annual and interim results on the website of the Stock Exchange and of the Company, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

During the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the Shareholder Communication Policy. The Board believes that shareholders and investors can effectively obtain the information of the Group through multiple communication channels for shareholders. At the same time, shareholders can also take the initiative to directly contact the Board and express their opinions through the procedure of making inquiries to the Board. Therefore, the Board agrees with the effectiveness of the Shareholder Communication Policy.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the Company has made amendments to the Articles of Association. Please refer to the announcement and circular dated 28 April 2022 and 29 April 2022, respectively, for the amendment details.

1 ABOUT THIS REPORT

This report is the Environmental, Social and Governance Report (hereinafter referred to as this "Report") issued by Sinosoft Technology Group Limited (hereinafter referred to as the "Company"), and its affiliated companies (hereinafter referred to as the "Group", "Sinosoft Technology", or "We"). This Report highlights the strategy, work and performance on the environmental, social and governance (hereinafter referred to as "ESG") of the Group.

1.1 Reporting Scope

This Report covers the fiscal year from 1 January 2022 to 31 December 2022 (hereinafter referred to as "Year", "Reporting Period" or "2022"), and the disclosure scope of social key performance indicators ("KPIs") is consistent with the annual report (unless otherwise noted). The disclosure scope of environmental KPIs only includes the Nanjing Headquarters. The impact of other operating areas on the Group is extremely slight, so it is not included in the calculation.

1.2 Reporting Guidelines

The Report is prepared in accordance with the ESG Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This Report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide and followed the reporting principles of "materiality", "quantitative", "balance" and "consistency". The Company has followed the reporting principles in the ESG Reporting Guide.

Materiality: In accordance with the requirements of the principle of materiality of the Stock Exchange, this Report has identified and disclosed the process of significant environmental, social and governance factors and the criteria for their selection, the process of identifying material issues and the matrix of material issues, as well as the description of significant stakeholders and the process and results of stakeholder engagement.

Quantitative: The statistical standards, methods, assumptions and/or calculation tools used in this Report for the reporting of emissions/energy consumption (where applicable), as well as the sources of conversion factors, are explained in the Report Definitions.

Balance: This Report provides an unbiased picture of the Group's performance, and avoids selections, omissions, or through presentation formats that may inappropriately influence a decision or judgment by the readers.

Consistency: The statistical methods used to disclose data in this Report are consistent with those used in previous years. Changes, if any, will be clearly stated in the Report.

1.3 Approval of this Report

This Report was approved by the Board on 31 March 2023 upon recognition by the management.

1.4 Feedback on this Report

The Group is dedicated to establishing a more detailed and robust sustainable development strategy. If you have any inquiries or opinions about this Report, please call or write to the Company through the following contact information:

Tel: +852 3912 0800
Fax: +852 3912 0801
Email: enquiries@skynj.com

2 ABOUT THE GROUP

The Group has been engaged in the development and sales of e-Government solutions. Our products are adopted by government agencies at various administrative levels in Jiangsu Province and other provinces in the PRC, such as the comprehensive big data solutions for judicial administration, smart CPPCC platform, intelligent platform for city governance, supervision platform for production safety in factories, etc.

The Group's awards and honors

Enterprise qualification and name of award-winning project	Certificate issuing department
• Excellent Software Products in China	• China Software Industry Association
• 2022 Jiangsu Provincial Local Standards	• Market Supervision Administration of Jiangsu Province
• Scientific and Technical Award of Artificial Intelligence Society of Jiangsu Province – Technical Innovation Award	• Artificial Intelligence Society of Jiangsu Province
• Outstanding Artificial Intelligence Products in Jiangsu Province	• Artificial Intelligence Society of Jiangsu Province
• Scientific and Technical Award of Artificial Intelligence Society of Jiangsu Province – Technology Application Award	• Artificial Intelligence Society of Jiangsu Province
• Outstanding Artificial Intelligence Solutions in Jiangsu Province	• Artificial Intelligence Society of Jiangsu Province

Enterprise qualification and name of award-winning project	Certificate issuing department
• Inclusion in "Thousands of Enterprises Upgrade" in 2022	• Industry and Information Technology Department of Jiangsu Province
• Artificial Intelligence Integrated Innovation Products in Jiangsu Province in 2022	• Industry and Information Technology Department of Jiangsu Province
• Maintaining in the Nanjing Science and Technology Enterprise Listing Pool in 2022	• Nanjing Municipal Bureau of Science and Technology

3 STRATEGY OF SUSTAINABLE DEVELOPMENT

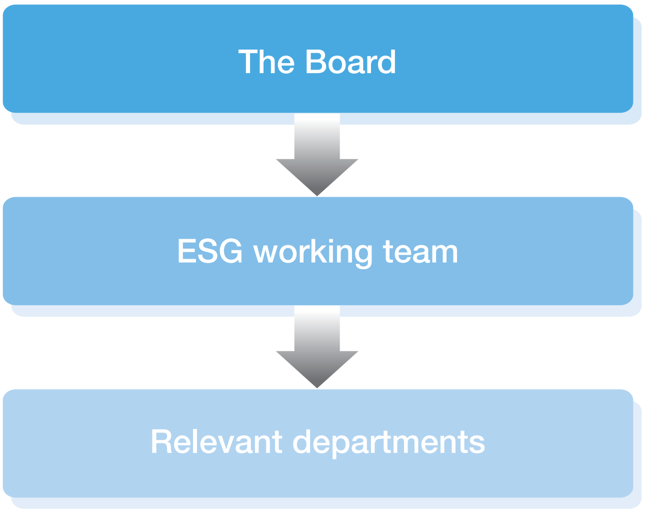
The Group believes that improving the sustainability performance is conducive to a sound and high-quality development of the Group. The Board ensures that the management approach is effective in minimizing the environmental impact of the Group's operations.

3.1 Statement of the Board of Directors

As the Group views ESG management as part of our responsibility, it is committed to incorporating ESG issues into our decision-making process. We believe that a sound governance structure of sustainable development is critical to our corporate development. We established a robust ESG governance structure. The Board has ultimate responsibility for overseeing the Group's ESG strategies by reviewing its ESG strategies, risk management, materiality assessment, prioritization of ESG topics and management of ESG issues, regularly reviewing the progress of environmental objectives and determining the setting of these objectives, with the aim of ensuring that the management approach is effective in minimising the environmental impact of the Group's operations. While meeting the internal needs of the business development, we actively undertake social responsibilities to achieve balanced development of the environment, economy and society. In the future, we will continue to review the ESG-related objectives and seek opportunities to improve the ESG performance.

3.2 ESG Governance

In order to effectively implement ESG management, we established an ESG management system and an ESG management structure led by the Board and run by the ESG working team and the relevant departments, ensuring the Group implements sound and good ESG management.



The Board, as the highest ESG decision-making body of the Group, is responsible for reviewing and approving of ESG management policies, strategies and annual work, including the evaluation and prioritization of the key ESG issues, as well as for overseeing the progress of ESG performance and targets.

The ESG working team is responsible for formulating the relevant ESG management policies, identifying ESG-related issues that are relevant and material to the Group, ensuring the Group's compliance with relevant legal and regulatory requirements, monitoring and responding to the latest ESG issues, and reporting to the Board. Our ESG working team is directly led by our senior management (COO and CFO). Its members are composed of representatives from departments like administrative management department, human resource department and internal control department.

In the ESG structure, the relevant departments are composed of the Group's administration department, human resources department, internal control department, etc., which organize and execute the ESG-related work in accordance with the Group's ESG management policies, strategies and annual work, and collect and report ESG internal policies, systems and ESG-related performance indicators.

3.3 Communication with stakeholders

The Group attaches great importance to communication with various stakeholders, actively engages in regular and effective communication with the stakeholders to understand their concerns, responds to the stakeholders' requests in a timely manner, and adjusts its development strategies. The Company will actively maintain a close and harmonious relationship with the stakeholders. Through the following key communication methods, the stakeholders can have a more comprehensive understanding of the Group's investment and achievements; it also helps the Group to collect the stakeholders' views and incorporate them into the Group's management policies or strategic planning for continuous improvement of products and services.

During the Reporting Period, the Group mainly communicated with major stakeholders through the following communication channels.

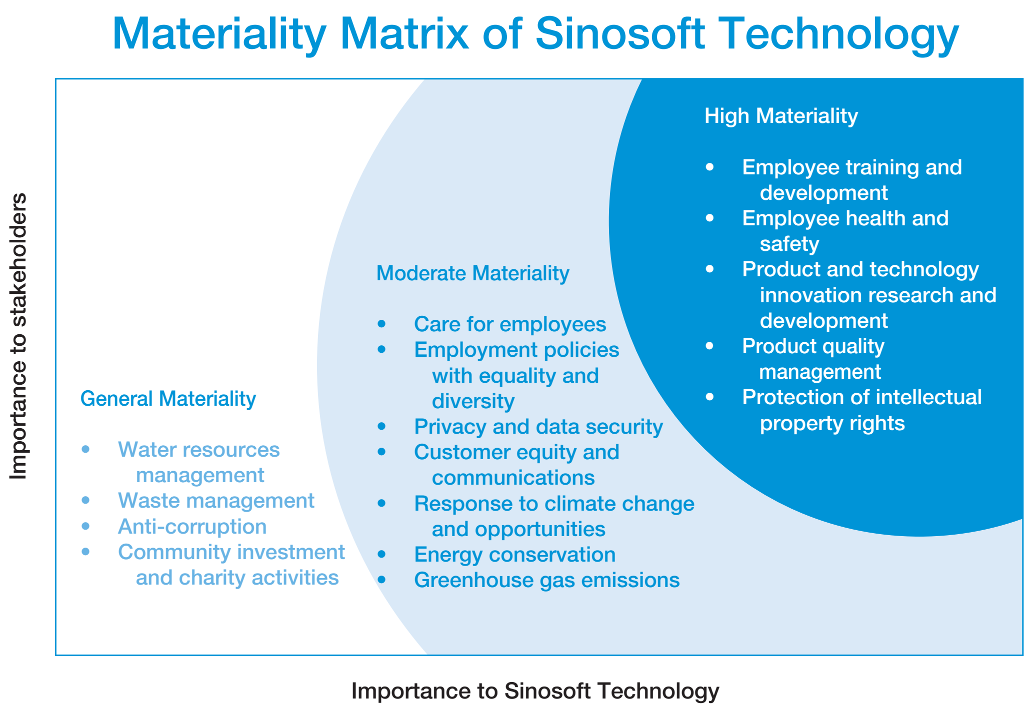
Major stakeholders	Major communication channels	Major concerns/ expectations
Customers	• Customer satisfaction surveys and feedback forms • Customer consulting group and service center • Customer relationship manager visit • Routine operation/communication • Online service platform • Company website • Phone/email	• Service quality and reliability • Client information security • Business ethics
Investors/Shareholders	• Annual general meeting and other general meetings • Interim and annual reports • Enterprise communications such as letters/circularisation to shareholders and notices of meetings • Results announcements • Visiting • Senior personnel meeting • Investor meetings	• Business strategies and sustainability • Financial performance • Corporate governance
Employees	• Employee opinion survey • Working Performance Assessment • Interviews • Voluntary works • Seminars/workshops • Publications (such as employee communications)	• Training and development • Remuneration tactics • Working hours • Occupational safety

Major stakeholders	Major communication channels	Major concerns/ expectations
Suppliers/Business Partners	• Supplier management procedure • Supplier/contractor assessment system • Field research • Meeting communication	• Fair competition • Business ethics
Government/Regulators	• Working meeting/reporting • Policy documents, guidelines and compliance reports • Seminars • Field research	• Compliance with law and regulations • Business ethics
Media	• Press conference/press release • Senior management interviews • Results announcements	• Timely disclosure • Improvement of corporate competitiveness
Community/ Non-governmental Organizations	• Donations • Seminars/lectures/workshops • Meetings	• Sustainable development
Industry Peers	• Strategic cooperation projects • Group notices • Communication conferences	• Industry development • Technological innovation
Professional Bodies, including: China Software Industry Association, China Electronics Standardization Association, Jiangsu Province Software Industry Association	• Meetings • Membership • Seminars and forums	• Industry development • Technological innovation

3.4 Materiality Topics

As there were no significant changes in the strategic direction and business development of the Group's operations during the Reporting Period, as well as the mutual significance of each ESG issue to the stakeholders and their impact on the Group's operations have been taken into account, the results of the materiality topics for 2021 are used in the Report. The Group identified 16 materiality topics, including 5 highly material topics, 7 moderately material topics, and 4 generally material topics.[1]

The following ESG materiality topics have been approved and recognized by the Board.



1 In 2020, the Group carried out a materiality assessment to collect, identify and determine the concerns of internal and external stakeholders on different ESG topics and influence on each other.

Ranking of Important Issues	
High Materiality	Employee training and development
	Employee health and safety
	Product and technology innovation research and development
	Product quality management
	Protection of intellectual property rights
Moderate Materiality	Care for employees
	Employment policies with equality and diversity
	Privacy and data security
	Customer equity and communications
	Response to climate change and opportunities
	Energy conservation
	Greenhouse gas emissions
General Materiality	Water resources management
	Waste management
	Anti-corruption
	Community investment and charity activities

4 PEOPLE-ORIENTED

The Group regards the talents of our employees as valuable assets and strives to provide them with a suitable platform and working environment so as to facilitate their professional development and protect their well-being. We strictly comply with the laws and regulations related to employment, including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. We actively built a sound labor relationship and prohibited the use of child labor. At the same time, we adhered to the principle of fixed positions, actively strengthened the recruitment and deployment of staff, and strived to build a modern human resources management system to reduce the Group's labor and employment risks.

4.1 Labor Standards

We are committed to being a responsible employer and implementing good employment practices in the workplace. The Group places a high priority on employee management. Apart from the measures required by laws and regulations, we established the "Recruitment Management System" to ensure that the recruitment process is clearly defined. We have a transparent assessment for recruitment channels, interview process and hiring process. Recruitment should be conducted in accordance with the annual human resources recruitment plan.

The Group adheres to the principle of fair competition and merit-based recruitment when it comes to open recruitment. In terms of recruitment, promotion and other employment matters, we adopt the principles of equal competition, selecting people according to the positions, recruiting based on merit, and making the best use of people's talents. We give priority to the selection and promotion of internal employees who meet the requirements of the job and have excellent performance. After that, we consider open recruitment. The Company set up a recruitment team for the selection of candidates, with members from the human resources department, the hiring department, the Company's leadership or external hiring experts. The composition of the interviewers differs for different candidates.

We try our best to avoid losing employees. We established the "Talent Reserve Management System", focusing on internal cultivation. We conducted job analysis according to the Company's business needs, clarified the qualifications of each position, analyzed the matching of personnel in core positions, and determined the internal cultivation plan or external introduction and reserve backup plans. We adhere to the principle of focusing on internal cultivation with external introduction as a supplement.

We have strict controls over compliance with labor laws, including forced labor. Our employee handbook includes attendance management and standard work hours (Monday through Friday, eight hours per day). All overtime must be confirmed by the Company, and we have "attendance system" in the workplaces to avoid forced labor. We follow national laws and regulations and the Company's rules and mechanism. We strictly abide by the rules to prevent the use of child labor. When applying for a job, if the candidate makes any false statement, or shows any false document or certificate, or fabricates any false reports to deceive the Company, the Group will terminate the labor contract with the employee in accordance with the Labor Law, the Labor Contract Law and other laws and regulations.

During the Reporting Period, there were no cases of non-compliance in relation to employment, child labour or forced labour in the Group.

During the Year, all the employees of the Group were located in the PRC. The breakdown for the total number of the Group's employees is as follows:

Indicator	Unit	2022
Total Number of Employees	Person	418
By Gender		
Female	Person	69
Male	Person	349
By Employment Type		
General Employee	Person	349
Department Head	Person	60
Management	Person	9
By Age		
Below 30	Person	228
31-40	Person	149
41-50	Person	34
51-60	Person	7
By Geographic Region		
North China	Person	5
East China	Person	406
Central China	Person	1
Northwest China	Person	2
Southern China	Person	3
Other region	Person	1

4.2 Employment Rights

The Group is always committed to providing employees with reasonable and good working conditions and environment to ensure that employees are rewarded according to their contribution to the Group. The Group's Employee Handbook lists the requirements of employees during work. A series of guidelines such as remuneration and benefits, leave and safety protection are stated, and provide employees with general practices and workplace codes of conduct. We protect the welfare of the employees and provide them with paid leave such as funeral leave, marriage leave and annual leave, in addition to national statutory holidays.

The Group can effectively ensure the rights and interests of both parties. We have a clear system of rewards and punishments, and clearly set out the rules and forms of rewards. The Group formulated the Performance Appraisal Management System and the Skytech R&D Position Management Regulations to improve the Company's human resources management system and provide a basis for human resources decisions on staff remuneration, appointment, rewards and punishments, training, etc. According to the characteristics of each department, the Group formulated a series of appraisal methods, which can be used as a basis for employee performance pay, year-end bonus and salary adjustment, and clarify the rights and obligations of both parties. That way, the management of labor relations is regulated, and the labor rights are protected by the law.

Under the unified guidance of the Company's labor union, the Company established a workers' congress. The workers' congress is the basic form for employees to participate in democratic management, supervision and decision making. The workers' congress exercises and decides their own legal rights on behalf of the employees, pays active attention to the protection of their rights and welfare, and continuously explores and promotes the win-win development of the Company and employees.

Workers' congress

On 19 January 2022, the third workers' congress of the fifth session of Skytech was held. 30 employee representatives participated in the congress and reviewed the Company's Staff Handbook 2022 and other documents.

On 6 July 2022, the fourth workers' congress of the fifth session of Skytech was held. 31 employee representatives participated in the congress and reviewed the Company Position Management System and other documents.

4.3 Caring for Employees

The Group is always committed to employee care and has organized a number of activities for our employees and their families. Among them, we organized parent-child activities where employees brought their children to participate in fun games and competitions to strengthen the parent-child relationship. Besides, we also held family day activities where employees and their families visited and experienced the Company together to enhance family interaction and connection. Furthermore, in order to enhance the safety awareness of the employees, we also organized a fire safety day for them to learn fire hazards and prevention knowledge and to enhance their safety awareness. All these activities received positive response and support from the employees, showing the Company's care and love for the employees and families.

"National Fire Prevention Day"

On 11 November 2022, the Company held a "National Fire Prevention Day" event, organizing the employees and back office force to learn fire prevention knowledge, to conduct simulated fire command/evacuation drills, and to attend practical lessons on the use of firefighting facilities, which had a positive effect on raising the fire safety awareness of the Company's employees.

We were dedicated to creating a healthy and pleasant working environment, which not only can help maintain the physical and mental health of our employees, but also can improve their morale and work efficiency. We advocated to narrow the distance between employees through team building, so as to increase cohesion and enhance a sense of belonging.

"June 1 meets Dragon Boat Festival·Children's Home"

1 June 2022 coincided with the Dragon Boat Festival, a traditional Chinese festival. We held a parent-child activity, "June 1 meets Dragon Boat Festival·Children's Home", for all Skytech employees and their families at the Skytech Park. Employees took their children to participate enthusiastically in various parent-child games such as hoops, catching dolls, fishing and wrapping zongzi, etc. The children and adults had a fun time.

"Company Anniversary"

This "Company Anniversary" (Celebration Day) event aimed to create a sense of belonging and unity among employees, while acknowledging their hard work and contribution to the Company and motivating them to continue their unremitting efforts for the glory of Skytech. The event prepared anniversary-themed gifts such as balloons, masks and postcards, and made souvenir badges for everyone.

4.4 Development and Training

The Group believes that employees' knowledge and skills are crucial to the Group's business development and success, and therefore encourages them to seek continuous professional development. We support the overall development of the employees and provide them with assistance in various aspects, including internal and external training. We formulated the Skytech Talent Reserve System and Skytech Performance Appraisal Management System to ensure that career development and training management for our employees are well supervised to meet the development needs of each department and employee. In order to achieve the mutual development of the Company and employees, we continued to improve the quality and work skills of our employees through various training programs to achieve the Company's development goal of "cultivating first-class teams, designing first-class products, and creating a first-class brand".

We provide the employees with comprehensive training, including knowledge training, skill training and quality training. Training is divided into internal training, external training and employee self-training. Employee self-training means that we encourage our employees to actively participate in various training programs to improve their quality and business ability in their spare time. We formulated the "Company Internal Trainer Management Regulations" and "Feedback Form for Training Courses" to continuously enrich and improve the internal training courses and hold key courses on a regular basis. Students will be assessed according to the course, and the assessment results will be included in the employee's performance appraisal. After completing the training, employees are required to fill out the "Feedback Form for Training Courses".

External training refers to training outside the Company. Our "External Training Management Regulations for Employees" include domestic and overseas short-term training, overseas study tours for senior managers, MBA courses, corporate manager training and qualification certificate training, etc., with the aim of identifying talents with high potential and helping employees improve their abilities.

4.5 Employee Wellness

The Group resolutely enforces the Labor Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China, and is committed to providing a safe and healthy working environment for all employees and to monitoring workplace hygiene and employee facilities. During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety related laws, and there was no work-related death in the past three years.

We place a high priority on health, safety and well-being in the workplace. Our occupational health and safety management system and policy ensure that the risks associated with our subsidiaries and all Group operations are effectively managed and minimized. External recognition helps our companies to have a sound occupational safety system. The Company has the ISO 45001 occupational health and safety management system. We adopted an occupational health and safety management system certified by ISO 45001, which is more stringent than the statutory requirements.

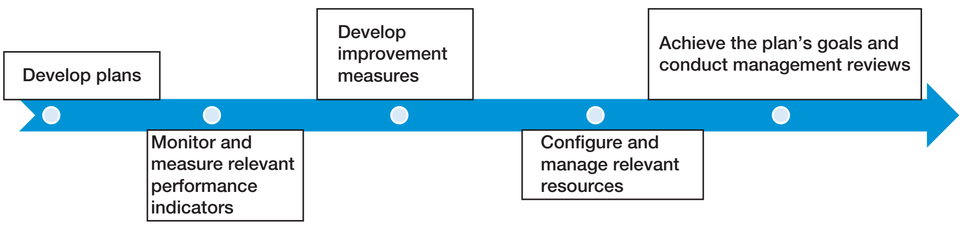
During the Reporting Period, the Company implemented the pandemic prevention and control measures as usual, strengthened the disinfection and cleaning of the office environment during its day-to-day operations, and carried out the sanitation and disinfection of office premises on a regular basis, including meeting rooms, toilets, hallways, staircases, dormitories and other public areas. A small medicine box (Indigowoad Root) was placed at the front desk for the employees. Besides, the Group strictly controlled the entrance and exit, and implemented measures such as the registration of body temperature detection and reporting of outside personnel, until the pandemic prevention and control measures are completely lifted.

Fire safety is a common occupational safety hazard. In order to raise employees' awareness of fire safety, we held a "National Fire Prevention Day" event on the National Fire Prevention Day, organizing the employees and back office force to learn fire prevention knowledge, to conduct simulated fire command/evacuation drills, and to attend practical lessons on the use of firefighting facilities, which had a positive effect on raising the fire safety awareness of the Company's employees and equipped them with the necessary skills to protect themselves.

5 PRODUCT RESPONSIBILITY

The Group strictly complies with the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests and the Product Quality Law of the People's Republic of China. In order to improve the quality, environment and occupational health and safety management of the Company's services, the Group formulated the "Quality, Environment and Occupational Health and Safety Management System Management Manual" in strict accordance with ISO14001:2015 "Environmental Management Systems – Requirements with Guidance for Use" and "Occupational Health and Safety Management System Requirements and Guidelines" to ensure that the procedures such as product manufacturing, quality, health and safety and recycling are systematized and standardized. The Company regularly monitors and reviews information related to internal and external factors, such as the Company's values, various regional and local laws and regulations, etc. The general manager determines the quality, environment, occupational health and safety goals, strategic directions and the influence, achieving a high-quality management system for environment and occupational health.

Management System Process



These include ISO9001:2015 "Quality Management Systems – Requirements" and GB/T19000-2016 idt ISO9000:2015 "Quality Management System – Fundamentals and Vocabulary". We ensure the safety, effectiveness and compliance of our products by continuously optimizing our product design, production processes and quality management procedures, and strictly abide by all relevant regulations and standards.

We formulated the "Control Procedures for Quality/Environment/Occupational Health and Safety Objectives and Management Plan" to plan the Company's overall goals and implement them according to the management method. Each department is required to formulate corresponding quality objectives and environmental objectives according to the overall objectives of the Company and make an assessment. The performance will be evaluated through the management review meeting according to the status of the annual quality goals, and the quality objectives for the next year will be formulated so that the product quality can be continuously improved to meet the needs of the customers.

During the Reporting Period, the Group did not receive any major complaints related to product quality.

Product Quality

We have a sound risk culture and established a comprehensive risk management system that is in line with our development strategy, the "Quality, Environment and Occupational Health and Safety Management System Management Manual", which include the ISO9001:2015 "Quality Management System—Requirements". "Quality Management System—Requirements" covers each risk type and each department, clarifies the risk control process, organizes the monitoring of major risks, urges each unit to increase risk prevention efforts, identifies risk monitoring information, and ensures effective risk control. We implemented the "Emergency Preparation and Response Control Procedures" to identify potential emergencies within the scope of our environmental and occupational health and safety management systems, identify potential emergencies that may have environmental impacts or potential safety incidents, and ensure control of emergency preparation and response plans for potential safety incidents, environmental pollution or potential emergencies. We ensure the safety, effectiveness and compliance of our products by continuously optimizing our product design, manufacturing processes and quality management procedures, and strictly comply with all relevant regulations and standards.

We continue to improve our internal control measures and revise them on a regular basis to make management responsibilities and control measures more in line with the actual business needs; and revise and improve our business processes and flow charts in a timely manner to ensure the orderly management of the Company. The Company established the "Control Procedures for Supply of Product and Service" to ensure that the various stages of order taking, product and service processes, inspection and testing, and sales are effectively controlled, so that the products and services meet the requirements. The project management center is responsible for the final quality of the products and is required to verify whether the product and service results meet the requirements according to the pre-planned arrangement. If necessary, the products and services can be modified to ensure continuous compliance with the specified requirements. The Group continuously improved its system and implemented the "Control Procedures for Non-Conforming Outputs" to strictly control the products. In case of non-conforming products, we take appropriate measures to immediately correct the non-conformity according to its nature and its impact on service compliance, to stop and correct the non-conforming services, and to take measures to change the original intended use requirements. We clearly document the non-conforming output by first describing the non-conformity, the measures taken and the customer concessions obtained, and identifying the authorization to dispose of the non-conformity. Corrective actions are taken to eliminate the cause of the non-conformity as required by the procedures, to satisfy the requirements and to focus on future needs and expectations.

During the Reporting Period, the percentage of total products sold by or shipped by the Group that was subject to recall for safety and health reasons was zero.

5.1 Customer First

We always give priority to our customers, strive to provide customers with the best product experience and continue to create value for them. We strictly comply with the Consumer Rights Protection Law of the People's Republic of China and other relevant regulations. We are responsible for solving important problems for customers, collecting customer questions and providing online assistance through various channels, such as customer satisfaction surveys and opinion forms, customer consultation groups and service centers, and phone calls and meetings. We actively communicate with customers, continuously improve the establishment of customer service management system, obtain customer feedback and evaluation, analyze problems according to customer feedback, and formulate solutions. We continuously track the improvement progress to further enhance customer satisfaction.

Customer service is one of our priorities. We implemented the Satisfaction Measurement Procedures for Stakeholders to collect, analyze and utilize information on customer satisfaction with the Company's products and services, including customer satisfaction or opinion surveys on the quality of delivered products and customer services, which are used as a basis for the Company's policies on quality management and continuous improvement of customer service.

During the Year, the Group did not receive any major complaints against Sinosoft Technology's products and services.

5.2 Supply Chain Management

We strictly comply with the requirements of laws and regulations such as the Tender Law of the People's Republic of China and the Government Procurement Law of the People's Republic of China, and work closely with companies in the same trade and suppliers through the establishment of the comprehensive supplier selection and evaluation system and continuous enhancement of supplier management. The most important suppliers of the Group are IT suppliers, including software suppliers and hardware suppliers. The Group's procurement department inspects and examines suppliers in terms of quality, delivery time, price and service, and established the "Procurement Management Control Procedures", "Supplier Evaluation Standards" and other comprehensive procurement mechanisms. We conduct market surveys on the suppliers and preliminarily identify suppliers with reliable quality and reasonable prices. A supplier investigation team formed by the members of the procurement department then investigate and evaluate the suppliers and fill out the Supplier Evaluation Form; the person in charge of the procurement department and the vice president of the Company then decide whether they are qualified as the Company's suppliers. The supplier evaluation procedure is to evaluate the suppliers in terms of quality, delivery date, price, service and other aspects on a monthly basis. An overall evaluation is to be conducted annually. Excellent suppliers will be rewarded with payment, orders, and inspections. On the contrary, suppliers who fail to reach the ordinary grade within three months will be eliminated, and those with subpar quality will be blacklisted.

Our supply chain management focuses not only on the quality of products and services provided by the suppliers. When selecting suppliers, the Group tends to give priority to environmental protection factors such as product design and procurement. In terms of social aspects, we entered into the Integrity Agreement with the suppliers to regulate their sourcing channels and credit management process. We confirmed we were both aware of the purpose of signing this agreement, understood the importance of integrity as to cooperation, and understood the consequences of violation of integrity. With the same goal in mind, we strive to pursue a fair, just and transparent business environment to ensure positive cooperation.

During the Year, the Group had a total of approximately 233 suppliers. The following is the regional distribution of suppliers:

Region	Number
Shanghai	17
Yunnan Province	1
Inner Mongolia	2
Beijing	22
Sichuan Province	1
Tianjin	1
Anhui Province	1
Shandong Province	5
Guangdong Province	7
Guangxi Province	1
Xinjiang	2
Jiangsu Province	149
Hebei Province	2
Zhejiang Province	5
Hubei Province	2
Hunan Province	2
Gansu Province	5
Fujian Province	4
Shaanxi Province	1
Liaoning Province	1
Qinghai Province	1
Chongqing	1

5.3 Intellectual Property Protection

The Group regards intellectual property protection as an important development to ensure the sustainable development of enterprises. We strictly comply with the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Advertising Law of the People's Republic of China and other relevant national laws and regulations. We improved the formulation of the intellectual property management system to strengthen intellectual property protection. We formulated internal process management regulations for intellectual property protection and enterprise qualification certification to protect our core technological assets and build our product competitiveness.

The Group formulated the "Compilation of Intellectual Property Management System" to standardize and monitor the management of trademarks, domain names, copyrights and patents, including the award system, training system, patent management system, trade secret management system, etc. The intellectual property referred to in the system include:

Patent rights and technical secrets	New products, new technologies, new processes, new methods, new materials, new designs, new formulas, new varieties
Trademark rights and trade secrets	Registered trademarks, trade names, etc., as well as unpublished information on engineering, design, marketing, operation, services, finance, management, etc.

In order to protect the Group's property, we established the "Intellectual Property Education and Training System" to provide training for the people in charge of the enterprise units, intellectual property management personnel, and scientific and technological R&D personnel. There are two types of training: basic training and practical training.

Basic Training:

The main contents include learning the basic concepts of the intellectual property system and basic knowledge of laws and regulations, understanding the international and domestic situation of intellectual property, grasping the basic knowledge of national intellectual property strategies and corporate intellectual property strategies, and understanding the skills of using patent literature and information.

Practical Training:

The main contents include learning the procedures and legal regulations of intellectual property application and approval, learning the procedures, examination principles and legal regulations of patent application and request for declaration of invalidity, learning the reasons and procedures of trademark revocation and trademark registration invalidity, and understanding the basic knowledge of other related intellectual property laws such as copyright law.

During the Reporting Period, the Group obtained a total of 18 Software Copyrights and one patent.

5.4 Implementing Information Security

Customer privacy is also the most important part of the Group. We have passed the Authentication of Information Security Management System (ISO27001) and established an information security system. We formulated the "Information Security Management Strategy" to protect customer privacy, business secrets and even state secrets at different levels, for the purpose of ensuring the confidentiality, integrity and availability of relevant information. We attach great importance to information processing and network security. The Group strictly complies with the "Regulations of the People's Republic of China on the Security Protection of Computer Information Systems", the "Network Security Law of the People's Republic of China", the "Regulations on Technical Measures for Internet Security Protection", the "Administrative Measures for Internet Information Services" and the "Administrative Measures for the Security Protection of International Connection of Computer Information Networks". The Group is committed to protecting the privacy of its customers. Employees are required to handle personal and confidential information in accordance with the procedures described in the Information Security Management Manual. Employees are prohibited from using or disclosing customers' personal information without their consent. Our information security system is established in accordance with ISO 27001 and ISO 27002 standards, improving the documented information security management system.

Employees are obliged to keep confidential all financial data, software codes, technical and business documents, customer data information and office information of the Company, and shall not disclose them to the public. Employees are not allowed to be taken out of the Company without approval. Paper printed with words related to the Company shall not be treated as waste paper without approval; if confidential information is leaked, the Company will impose a written warning or more on the data manager and his direct leaders. In serious cases, the Company will terminate the labor relationship with the employee. If the violation constitutes a crime, the Group will hand him over to the judicial organ to investigate his criminal responsibility in accordance with the laws. Once employees discover that others violate the Company's confidentiality system, they should report to the general manager of the department in time, or report directly to the chairman of the Board.

We formulated the "*Control Procedure for Corrective and Preventive Measures*" to analyze the non-conformities (such as information security accidents) or potential non-conformities in the operation of the information security system, and take corrective or preventive measures to prevent similar non-conformities. The quality and project management center is the centralized management department for corrective and preventive measures, responsible for collecting information and organizing responsible departments to analyze the reasons, and track and correct the implementation of corrective and preventive measures. Each functional department takes measures to correct and effectively deal with the unqualified processes and systems based on the review results, and then reports the relevant information to the quality and project management center.

The Group always insists on making every effort to protect customers' privacy and information security and on improving the quality of customer services, protecting the confidentiality of data and customer information.

We established an information security management system covering information management, information security, and information technology enhancement. To ensure the effective implementation of the information security management system, the Group adopted advanced and effective facilities and technologies to process, transmit, store and protect various types of information and realize information sharing. The Group also continued to conduct information security education and training for all employees to enhance their information security awareness and capability, ensuring the information security of the Company. We continued to improve our information security management system and conduct management review annually in accordance with the Management Review Procedures to ensure the information security.

5.5 Operating with Integrity

The Group attaches great importance to business ethics and integrity in the workplace and fosters a trustworthy and honest corporate atmosphere. We strictly comply with the Law of the People's Republic of China Against Unfair Competition. In keeping with our commitment to good corporate governance, the Group established a series of anti-corruption policies and systems to eliminate all transfer of benefits, fraud and other illegal activities. In order to prevent internal fraud, we set up the "Anti-Fraud Management Regulations", which details the purpose of anti-fraud, the concept and forms of fraud, the responsibility for anti-fraud, the prevention and control of fraud, the standing institutions for anti-fraud and their functions, the reporting, investigation and presentation of fraud cases, the guidance and supervision of anti-fraud work, and the remedial measures and penalties for fraud. The purpose of the regulations is to regulate the professional conduct of the directors, supervisors, officers and all employees of the Company, to strictly comply with relevant laws and regulations, professional ethics and the Company's rules and regulations, to strengthen corporate governance and internal control, to reduce corporate risks, and to ensure the healthy development of the Company.

The Group's anti-fraud measures include promoting a culture of honesty and integrity, assessing fraud risks, and establishing control procedures and mechanisms, so as to facilitate a culture of honesty and integrity. The management leads by example and encourages employees to report any unethical behaviors. Fraud risk assessment and implementation of control measures involve identifying high-risk areas and establishing internal controls.

We have a whistleblowing channel and keep written records of reports. We evaluate and decide whether to investigate the alleged but unsubstantiated reports. Reports of actual or suspected fraud are ruled by the chairman of the Audit Committee, who protects the whistleblowers who make truthful reports. Besides, after a fraud case occurs, the Company should have a written report to assess and improve internal controls, take appropriate action against the violators, and report the results to the internal and external third parties as necessary. Investigations involving senior management of the Company may be conducted jointly by a special investigation team composed of members of the standing anti-fraud department and the management of the relevant department. At the same time, the standing anti-fraud department shall evaluate the internal controls of the affected business unit and make recommendations. The Company prohibits retaliation against any whistleblowers and does not tolerate any harassment or deceptive reporting.

During the Reporting Period, we effectively prevented the occurrence of corruption. The Company provided anti-corruption training materials on its intranet and required the Directors and employees to read the relevant content. During the Year, we did not receive or discover any corruption-related reports or incidents[2].

6 ENVIRONMENTAL PROTECTION

During the Reporting Period, the Group complied with the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution to ensure environmental compliance of its business activities. The Group took steps to reduce GHG emissions, water pollution and generation of hazardous and non-hazardous waste caused by electricity consumption, use of office supplies and vehicle use. The Group is not aware of any material non-compliance with applicable laws and regulations relating to air pollutants, GHG emissions, water and soil contamination, waste generation and resource use. The Group's performance in environmental protection is commendable. Although we mainly operate in offices, we are still committed to building a green environment and adding green elements to our management.

2 The training materials include the following principles: the employees should abide by the integrity commitments, adhere to professional ethics, oppose bribery or other unethical and illegal means to obtain benefits, and must not use the Company's funds or materials for personal benefit or the benefit of others.

Environmental Goals

Environmental Area	Goals
GHG Emissions	Actively implement the Group's energy saving measures so as to maintain or reduce GHG emissions at similar operating levels
Energy Use Efficiency	Actively implement the Group's energy saving measures so as to maintain or reduce electricity consumption at similar operating levels
Water Efficiency	Actively implement the Group's water conservation measures so as to maintain or reduce water consumption at similar operating levels
Waste Reduction	Actively implement the Group's material conservation measures so as to maintain or reduce waste at similar operating levels

During the Year, we reviewed the progress of our environmental targets. As the Company resumed normal operations after the pandemic, environmental data increased slightly during the Year. As a result, we are actively reviewing our environmental goals. We will continue to work to optimize our business and management practices to minimize the environmental impact.

6.1 Energy Conservation

We are committed to reducing our energy consumption and minimizing our impact on the environment. Our efforts to conserve energy are conducive to reducing the carbon footprint, saving costs and achieving our overall sustainability goals. We implemented a number of initiatives to promote energy conservation throughout our operations, such as advising the employees to turn off the lights when the office is not in use and using daylight as much as possible; keeping lighting fixtures and lights clean on a daily basis to improve their energy efficiency. The office of the Group is divided into a number of different lighting areas, in which, lighting switches that can be controlled independently are set up and lamps with high energy efficiency are used.

We control and reduce energy consumption from the source. To this end, we implemented the following measures:

- avoid the leakage of air with adjusted temperature. We also set the temperature of the air conditioning system to a moderate 25.5°C and turn off the air conditioning when leaving the office.
- avoid installing air conditioners in places where the sun is directly exposed, and regularly clean the filters and install sealing strips on doors.
- employees wear casual clothing to work, so as to reduce the use of air conditioners.

6.2 Water Resources Management

We understand water conservation plays a key role in reducing our impact on the environment. As a software company, we do not consume a lot of water in our operations, but we are committed to reducing our water usage and minimizing our water footprint. During the Year, our tap water comes from the municipal water supply, and there is no problem in adopting water suitable for use.

We have water conservation devices in place and reduce the water pressure in the offices to the lowest level possible, which is conducive to reducing our overall water usage and minimizing our impact on local water resources. Where possible, we recycle water at the offices. For example, we collect and reuse rainwater to irrigate plants in our office gardens. We also collect and reuse water from our facilities to irrigate plants. We regularly monitor our water usage and check meter readings and hidden leaks on a regular basis, which allows us to further reduce water usage and improve overall water management. We strive to be responsible water users and to reduce our environmental impact through sustainable water management.

6.3 Exhaust Gas and GHG Emissions Management

As a responsible technology company, we understand the potential significant impacts of GHG emissions on the environment. As a result, we took steps to minimize our carbon footprint and reduce GHG emissions. We conducted a comprehensive GHG inspection to identify our major sources of emissions, including electricity consumption, business travel and data centers. To reduce our carbon footprint, we implemented energy-saving measures in our offices, such as the use of LED lighting. We also placed a strong emphasis on reducing the environmental impact of vehicle use. As a result, we promoted more remote works and virtual meetings between the offices and employees over the past year, thereby reducing employee commuting. Furthermore, we encouraged employees to use public transportation or to travel by foot or bicycle to further reduce the environmental impact of vehicle use. These efforts paid off with a significant decrease in our vehicle use. We will continue to reduce our carbon footprint and facilitate sustainability by promoting more sustainable modes of transportation and flexible working models.

Total GHG emissions (Scope 1 and 2) during the Reporting Period were 714.86 tonne of CO_2e. In the future, we will continue to monitor GHG emissions and implement effective low-carbon measures to mitigate climate change.

The Group conducts greenhouse gas inspections at the office in Nanjing Headquarters. During the Reporting Period, the greenhouse gas emissions were as follows:

Greenhouse gas emissions		
Direct greenhouse gas emissions[3] (Scope 1)	tonne of CO_2e	73.24
Indirect greenhouse gas emissions[4] (Scope 2)	tonne of CO_2e	641.62
Total greenhouse gas emissions (Scope 1 and 2)	tonne of CO_2e	714.86
Greenhouse gas emission intensity (Scope 1 and 2)	tonne of CO_2e/employee	1.71
Greenhouse gas emission intensity (Scope 1 and 2)	tonne of CO_2e/m^2	0.05

6.4 Waste Management

We understand the significance of proper waste management and its impact on the environment. Our waste management efforts focus on reducing waste generation, promoting recycling and reuse, and properly disposing of any waste that cannot be reused or recycled. To achieve these goals, we implemented various waste reduction measures, such as paperless office practices, digital document management and reduction in unnecessary printing. We also encouraged employees to adopt environmentally friendly practices, such as bringing reusable water bottles and lunch boxes to work, and properly sorting and disposing of waste.

Besides, we established a partnership with our property management company, which collects our office waste on a regular basis and destroys it at a designated site to ensure that our waste is properly disposed of in accordance with applicable laws and regulations. Our waste management efforts not only reduce our environmental impact, but also contribute to cost savings and a sustainable future for the Company and society as a whole. During the Reporting Period, the Group generated 17,598.6 kg of non-hazardous waste and 10 pieces of hazardous waste including ink cartridges and waste toner boxes.

3 Include GHG emissions directly generated by businesses owned or controlled by the Company.

4 Include GHG emissions caused indirectly by energy consumption (purchased or acquired) like electricity, heat, refrigeration and steam in the Company.

For domestic waste, we have classified waste bins and adopt a strict waste management policy to ensure proper separation, collection, storage and disposal of waste, and to reduce environmental pollution and resource wastage. We work with professional waste disposal companies to ensure the safe disposal and recycling of waste. Moreover, we actively promote the "Green Procurement" policy, purchasing sustainable and environmentally friendly office supplies whenever possible to reduce negative environmental and health impacts.

6.5 Climate Change Mitigation

We recognize the impact of climate change on our employees, infrastructure, ecology and business, and are taking proactive measures to address it. The Group identified climate risks and assessed the potential physical climate risks. At the same time, the Group added policy and regulatory risk, market risk and reputation risk to the assessment items in the transition climate risk category. In view of the gradual popularity of the dual-carbon goal in China and the increasing concern of investors on the climate change issues, the Company attaches great importance to the far-reaching and extensive impact of climate change on its operating model and is committed to contributing to climate change mitigation.

We strengthen our climate risk response measures and integrate them into our day-to-day operations and future business development to enhance our resilience to climate change. We are aware of the physical risks associated with climate change, such as flooding, typhoons, abnormal rainfall patterns and extreme heat, which can lead to temporary office closures, employee injuries and unstable network services. To address these risks, we strictly follow the government guidelines for extreme weather conditions.

Besides, the Group is actively reducing carbon emissions. In response to the national call for carbon reduction actions, we actively communicated with the stakeholders to formulate and disclose carbon reduction targets. We are fully aware of the urgency of climate change and will continue to identify climate risks and opportunities in the future, making climate change an important research topic and incorporating climate change prevention measures into our day-to-day operations.

7 COMMUNITY INVESTMENT

We understand the importance of giving back to society and are committed to promoting employees for volunteer works and donations, to create positive impacts in the community we operate. We encourage employees to participate in community services, and also hope to take care of vulnerable groups and the elderly, so as to build a harmonious society with sustainable development. During the Reporting Period, due to the consideration of the Covid-19 pandemic and public health, the Group did not organize any community or public welfare activities. The Group will explore volunteering opportunities and organize relevant activities in the future.

APPENDIX 1: SUSTAINABILITY DATA STATEMENT

The following is a summary of the environmental sustainability data for the Year:

Environmental Area	Unit	2022
Air Emissions		
Nitrogen Oxides	kg	339.80
Sulphur Oxides	kg	0.30
Particulate Matter	kg	31.64
Greenhouse Gas (GHG) Emissions		
Direct GHG Emissions[3]	tonne of CO_2e	73.24
Indirect GHG Emissions[4]	tonne of CO_2e	641.62
Total GHG Emissions (Scope 1 and 2)	tonne of CO_2e	714.86
GHG Emissions Intensity (Scope 1 and 2)	tonne of CO_2e/employee	1.71
GHG Emissions Intensity (Scope 1 and 2)	tonne of CO_2e/m^2	0.05
Energy Consumption		
Total Energy Consumption	kWh	1,392,076.34
Energy Consumption Intensity	kWh/m^2	92.80
Total Electricity Consumption	kWh	1,104,333.52
Electricity Consumption Intensity	kWh/m^2	73.62
Diesel Consumption	L	167.92
Petrol Consumption	L	20,210.04
Liquefied Natural Gas Consumption	kg	6,614.00
Water Consumption		
Total Water Consumption	tonne	27,551.00
Water Consumption Intensity	tonne/employee	65.91
Paper Consumption		
Paper Consumption	kg	1,706.33
Paper Consumption Intensity	kg/employee	4.08
Waste		
Non-hazardous Waste Produced	kg	17,598.60
Non-hazardous Waste Production per Capita	kg/employee	42.10
Hazardous Waste Produced (Waste Ink Cartridge and Waste Toner Cartridge)	Piece	10

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3 Include GHG emissions directly generated by businesses owned or controlled by the Company.

4 Include GHG emissions caused indirectly by energy consumption (purchased or acquired) like electricity, heat, refrigeration and steam in the Company.

The following is a summary of the Group's sustainability data in the social aspect for the Year:

Social Area	Unit	2022
Employment Management		
Total Number of Employees	Person	418
By Gender		
Female	Person	69
Male	Person	349
By Employment Type		
General Employee	Person	349
Department Head	Person	60
Management	Person	9
By Age		
Below 30	Person	228
31 to 40	Person	149
41 to 50	Person	34
51 to 60	Person	7
By Geographical Region		
North China	Person	5
East China	Person	406
Central China	Person	1
Northwest China	Person	2
Southern China	Person	3
Other (Hong Kong)	Person	1
Employee Turnover Rate[5]		
Total Employee Turnover Rate	%	23.68
Turnover Rate By Gender		
Female	%	3.59
Male	%	20.09
Turnover Rate By Age		
Below 30	%	18.42
31 to 40	%	4.78
41 to 50	%	0.24
51 to 60	%	0.24
Turnover Rate By Geographical Region		
North China	%	0.72
East China	%	22.72
Central China	%	0.00
Northwest China	%	0.00
Southern China	%	0.24
Other Regions (Hong Kong)	%	0.00

5 Turnover rate by category = L(x)/E(x) * 100, in which L(x) = Number of Employees Left in the Relevant Category, E(x) = Number of Employees in the Relevant Category

Social Area	Unit	2022
Employee Training		
Performance of Employee Training by Gender[6,7]		
Percentage of Female Employees Trained	%	14.12
Percentage of Male Employees Trained	%	85.88
Average Training Hours of Female Employees	Hour	3.43
Average Training Hours of Male Employees	Hour	0.89
Performance of Employee Training by Employment Type		
Percentage of General Employee Trained	%	87.90
Percentage of Department Head Trained	%	10.67
Percentage of Management Trained	%	1.44
Average Training Hours of General Employee	Hour	1.03
Average Training Hours of Department Head	Hour	0.43
Average Training Hours of Management	Hour	3.20
Occupational Health and Safety		
Number of Work-related Fatalities in 2022	Person	0
Rate of Work-related Fatalities in 2022	%	0
Number of Work-related Fatalities in 2021	Person	0
Rate of Work-related Fatalities in 2021	%	0
Number of Work-related Fatalities in 2020	Person	0
Rate of Work-related Fatalities in 2020	%	0
Day(s) lost due to Work-related Injuries	Day	0

6 Percentage of Employees Trained by Relevant Category= Number of Employees Trained in the Relevant Category/ Number of Employees Trained x 100

7 Average Training Hours of Employees in the Relevant category = Total Trained Hours of Employees in the Relevant Category/Number of Employees in the Relevant Category

APPENDIX 2: "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" INDEX BY THE STOCK EXCHANGE

KPI Content			Related Chapter
A. Environmental Area			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6 Environmental Protection 6.3 Exhaust Gas and GHG Emissions Management 6.4 Waste Management
	A1.1	The types of emissions and respective emissions data.	Appendix 1: Sustainability Data Statement
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Appendix 1: Sustainability Data Statement
	A1.3	Total hazardous waste produced and intensity.	Appendix 1: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced and intensity.	Appendix 1: Sustainability Data Statement
	A1.5	Description of emission target(s) set and steps taken to achieve them.	6.3 Exhaust Gas and GHG Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6 Environmental Protection
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6 Environmental Protection 6.2 Water Resources Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix 1: Sustainability Data Statement
	A2.2	Water consumption in total and intensity.	Appendix 1: Sustainability Data Statement
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6 Environmental Protection
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6 Environmental Protection
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	The Group's business and products do not involve packaging

KPI Content			Related Chapter
A. Environmental Area			
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6 Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6 Environmental Protection
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.5 Climate Change Mitigation
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.5 Climate Change Mitigation
B. Social Area			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4 People-oriented 4.1 Labor Standards 4.2 Employment Rights
	B1.1	Total workforce by gender, employment type, age group and geographical region.	4 People-oriented Appendix 1: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statement
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.5 Employee Wellness
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.5 Employee Wellness Appendix 1: Sustainability Data Statement
	B2.2	Lost days due to work injury.	4.5 Employee Wellness Appendix 1: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.5 Employee Wellness

KPI Content			Related Chapter
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4 Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statement
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Labor Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Labor Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Labor Standards
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	5.2 Supply Chain Management
	B5.1	Number of suppliers by geographical region	5.2 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.2 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2 Supply Chain Management

KPI Content			Related Chapter
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5 Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5 Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	5.1 Customer First
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.3 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	5 Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.4 Implementing Information Security
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.5 Operating With Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.5 Operating With Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.5 Operating With Integrity
	B7.3	Description of anti-corruption training provided to directors and staff	5.5 Operating With Integrity
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7 Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7 Community Investment
	B8.2	Resources contributed to the focus area.	7 Community Investment

Directors' Report

The Directors are pleased to present to the shareholders of the Company this annual report and the audited consolidated financial statements for the year ended 31 December 2022.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands Cap.22 (Law 3 of 1961, as consolidated and revised) (the "Companies Law") as an exempted company with limited liability on 6 January 2011.

The shares have been listed on the Main Board of the Stock Exchange since 9 July 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 43 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and analysis on business of the Group are set out in the section headed "Management Discussion and Analysis" on pages 7 to 11. Future development in the Group's business is discussed in the paragraph headed "Outlook" in the "Chairlady Statement" section on pages 5 to 6 of this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to the long-term sustainability of the environment and communities. As a pioneer in the low carbon & ecology software industry, the Group has professional knowledge in efficient use of resources. Energy saving measures have been adopted in the Group's daily operation. Further details regarding the environmental policies are set out in the paragraphs headed "Environmental Protection" on pages 53 to 57 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers R&D as one of the keys to its success. The Group's business may be affected if (i) it is unable to successfully implement its R&D projects, or (ii) it is unable to hire or retain qualified personnel for its R&D efforts. In addition, as the Group is mainly engaged in software development and distribution which the Group requires to use software developed by third party suppliers, there may be operational risk to the Group in the case of unlicensed software and/or software whose license has expired.

Further, the Group's businesses are all located in the PRC and are therefore subject to inherent uncertainties of the PRC's economic, political and social conditions.

The Group is exposed to customers credit risks associated with its outstanding trade receivables. The turnover days of the Group's trade receivables remained at a relatively high level during the year under review.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considered its staffs as valuable assets for the Group's continuous development. Thus, it offers competitive salary packages, as well as discretionary bonuses and contributions 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 which are 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 are set out in the paragraphs headed "Share Option Scheme" on pages 75 to 77 of this annual report.

The Group provides high quality software products and services to its customers from both private sector and public sector, to fulfil their immediate and long-term needs. The Group also communicates with its customers regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force during the year ended 31 December 2022 for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") and when this annual report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 85 to 168.

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

ANNUAL GENERAL MEETING

The Company will hold the AGM on Wednesday, 28 June 2023. A notice concerning the AGM will be published and despatched to shareholders of the Company in the manner required by the Listing Rules in due course.

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.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's listed securities.

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.

RESERVES

The movement in the reserves of the Group during the year is set out in the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise share premium and accumulated losses. As at 31 December 2022, the Company's reserve available for distribution to owners was approximately RMB 168.5 million. Under the Companies Law, the Company's share premium account may be applied by the Company in paying distribution or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year ended 31 December 2022, the Group had no monetary charitable donations.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2022, the 5 largest customers of the Group accounted for 26% of the total revenue, while the largest customer accounted for 7% of the total revenue.

For the year ended 31 December 2022, the 5 largest suppliers of the Group accounted for 35% of the total purchases, while the largest supplier accounted for 10% of the total purchases.

At all time during the year ended 31 December 2022 none of the Directors or any of their close associates or any shareholders of the Company who, to the knowledge of the Directors, own more than 5% of number of issued shares of the Company had an interest in any of the five largest suppliers or customers.

DIRECTORS

The Directors in office during the year ended 31 December 2022 and as at the date of this annual report are as follows:

Executive Directors

Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

Non-executive Director

Mr. Ren Geng

Independent non-executive Directors

Mr. Chan Choo Tee
Mr. Kwauk Teh Ming, Walter (passed away on 24 November 2022)
Mr. Li Dong (appointed on 1 February 2023)
Mr. Zong Ping

Pursuant to the Articles of Association, every Director shall retire from office once every three years and for this purpose, at each AGM, one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or was last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the meeting at which he retires. For the avoidance of doubt, each Director shall retire at least once every three (3) years. Further, any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM.

In accordance with Article 84 of the Articles of Association, Mr. Ren Geng and Mr. Zong Ping shall retire and being eligible, shall offer themselves for re-election at the AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Li Dong will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACT

The executive Directors have respectively entered into a service contract commencing on 9 July 2022 and 1 January 2022 with the Company for a term of three years unless terminated by not less than one month's notice in writing served by either party on the other.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 July 2022 while the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 1 October 2021, 31 October 2021, and 1 February 2023, unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, interests or short positions in the shares of the Company, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Personal interest	Corporate interests	Interest of spouse	Number of shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Ms. Xin Yingmei	—	507,873,400 (L) (Note 3)	78,977,000 (L) (Note 4)	586,850,400 (L)	48.01%
Mr. Su Hui	50,000 (L)	—	—	50,000 (L)	0.00%

Notes:

(1) As at 31 December 2022, the Company had 1,222,384,600 shares in issue.

(2) The letter "L" denotes the person's long position in such securities.

(3) The shares held by Long Capital International Limited are beneficially and wholly-owned by Ms. Xin Yingmei.

(4) The shares held by Telewise Group Limited are beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these shares.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2022, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN SHARES

As at 31 December 2022, the persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Long Capital International Limited	Beneficial owner	507,873,400 (L) (Note 3)	41.55%
Telewise Group Limited	Beneficial owner	78,977,000 (L) (Note 4)	6.46%
Wang Xiaogang	Interest of a controlled corporation	78,977,000 (L) (Note 4)	6.46%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 5, 6)	13.50%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5, 6)	13.50%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5, 6)	13.50%

Notes:

(1) As at 31 December 2022, the Company had 1,222,384,600 shares in issue.

(2) The letter "L" denotes the person's or entity's long position in such securities.

(3) The shares held by Long Capital International Limited are beneficially and wholly-owned by Ms. Xin Yingmei.

(4) The shares held by Telewise Group Limited are beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these shares.

(5) Alibaba.com Investment Holding Limited is wholly owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.

(6) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisting as of 31 December 2022 or at any time during the year ended 31 December 2022 to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her is or was materially interested, either directly or indirectly, exist.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, no contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2022 or as at the date of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" on page 70 of this annual report and "Share Option Scheme" on pages 75 to 77 of this annual report, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the year ended 31 December 2022, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our business except where the controlling shareholders of the Company hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 27 June 2013 under the section headed "Relationship with Our Controlling Shareholders".

For the year ended 31 December 2022, the Company has received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2022.

REMUNERATION OF DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The aim of remunerating Directors is to make sure that there is a competitive remuneration package to attract and retain talents for continual business and operation of the Company. The Company adopted a share option scheme to motivate all Directors. Please refer to pages 75 to 77 of this report for details of the share option scheme. The remuneration of Directors is reviewed on an annual basis with reference to the salaries paid by comparable companies, time commitment, duties and responsibilities, experience and employment conditions elsewhere in the Group. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 10 to the consolidated financial statements of this annual report.

Mr. Ren Geng had agreed to receive no emolument for his role as a non-executive director of the Company.

Save as disclosed above, none of the directors of the Company had waived his/her emoluments nor has agreed to waive his/her emoluments.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2022 in conjunction 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. Kwauk Teh Ming, Walter (passed away on 24 November 2022 and succeeded by Mr. Li Dong), Mr. Chan Choo Tee and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter/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.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the period ended 31 December 2022 and as at the latest practicable date before printing this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of independence, and the Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements subsisting at the end of the year are set out in the paragraph headed "Share Option Scheme". Other than the below share option scheme, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2022.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2013. The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants under the Share Option Scheme (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants under the Share Option Scheme an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants under the Share Option Scheme to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants under the Share Option Scheme whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants under the Share Option Scheme" or each of whom, the "Eligible Participant under the Share Option Scheme") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this annual report:

As at the date of this annual report, no share option has been granted under the Share Option Scheme.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 100,000,000 shares, which represented 8.2% of the total number of issued shares of the Company.

4. Maximum entitlement of each participant under the Share Option Scheme:

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the compliance with Rule 17.03D of the Listing Rules. Upon acceptance of the opinion, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

5. The period within which the shares may be exercised under the Share Option Scheme:

There is no vesting period of option under the Share Option Scheme. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

6. The minimum period for which an option may be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

8. **The remaining life of the Share Option Scheme:**

It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme. During the year ended 31 December 2022, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme. The remaining life of the Share Option Scheme is three months.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 December 2016 (the "Share Award Scheme") to:

(i) recognise and motivate the contributions by any employee of the Group and non-executive director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "Eligible Participants under the Share Award Scheme") and to give incentives thereto in order to retain them for the continual operation and development of the Group;

(ii) attract suitable personnel for further development of the Group; and

(iii) provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee at the cost of the Company from the open market or subscribe for the relevant number of shares awarded and shall hold such shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of shares under the Share Award Scheme such that the total number of shares granted under the Share Award Scheme will exceed 5% of the total number of issued shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the independent trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the independent trustee shall not subscribe or purchase any further shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016 and 12 June 2017, the Board has further resolved that a sum of up to HKD 40 million and HKD 50 million be provided for the purchase of shares to be awarded to the participants to be selected by the Board respectively. Details of the further share purchase under the Share Award Scheme are set out in the announcements of the Company dated 13 December 2016 and 12 June 2017.

On 22 August 2018, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 16,005,000 awarded shares to 113 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 22 August 2018.

On 25 January 2021, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 19,651,000 awarded shares to 9 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 25 January 2021.

On 14 October 2022, the Board resolved that, as all of the awarded shares were granted to Eligible Participants under the Share Award Scheme, the Share Award Scheme was terminated with immediate effect.

CONNECTED TRANSACTION

There were no transactions that constitute connected transactions as defined in Chapter 14A of the Listing Rules that require disclosure in this annual report for the year ended 31 December 2022.

The related party transactions undertaken during the year ended 31 December 2022 are set out in note 41 to the consolidated financial statements, which did not constituted disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITORS

Baker Tilly Hong Kong Limited was appointed as the external auditor of the Company for the year of 2022, and there has been no change in the Company's auditor in any of the preceding three years. Baker Tilly Hong Kong Limited will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to seek shareholders' approval on the re-appointment of Baker Tilly Hong Kong Limited as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

By order of the Board

Xin Yingmei
Chairlady

Hong Kong, 31 March 2023

bakertilly
天職國際

TO THE MEMBERS OF
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)

OPINION

We have audited the consolidated financial statements of Sinosoft Technology Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 85 to 168, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of property, plant and equipment and intangible assets related to low carbon & ecology software and related services

Refer to Note 4 (key sources of estimation uncertainty), Note 14 (property, plant and equipment) and Note 16 (intangible assets) to the consolidated financial statements for the related disclosures.

The Group has balances of property, plant and equipment and intangible assets related to low carbon & ecology software and related services in amount of RMB0.2 million and RMB41 million respectively, which is a separate cash-generating unit ("CGU") with operating losses for the year ended 31 December 2022.

Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the value in use. Such assessment involved judgements and assumptions, such as future cash flow projections using revenue, gross margin and other operating costs forecasts, long-term growth rate of revenue and discount rate.

We focused on this area due to the balances of those long-lived assets related to low carbon & ecology software and related services, and the fact that judgement and assumptions involved to determine the recoverable amount of this CGU are subject to high degree of estimation uncertainty. The inherent risk is considered significant due to the complexity of valuation model and subjectivity of assumptions used.

Our audit procedures included:

— understanding the Group's impairment assessment process, including the impairment model, preparation of the cash flow projections and involvement of an independent valuer appointed by the Group;

— evaluating the competence, capability and objectivity of the independent valuer engaged by the management; and

— involving our internal valuation specialist to assist us in evaluating the appropriateness of data used and key assumptions adopted in the discounted cash flow projections, mainly in relation to:

  — assessing the reasonableness of growth rates, budgeted revenue and gross margin, by discussing with the management, comparing them with actual performance and with reference to our understanding of the industry; and

  — assessing the reasonableness of discount rate applied in the forecast by comparing it with other comparable companies.

We found the estimations and judgements made by management in respect of the discounted cash flow projection were consistent with the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of trade receivables

Refer to Note 4 (key sources of estimation uncertainty), Note 24 (trade, bills and other receivables) and Note 39 (financial instruments) to the consolidated financial statements for the related disclosures.

As at 31 December 2022, gross trade receivables of the Group amounted to approximately RMB1,350 million (2021: RMB1,326 million), which accounted for approximately 64% (2021: 59%) of the Group's total assets. The loss allowances for trade receivables amounted to RMB120 million (2021: RMB32 million), all of which was attributable to customers located in the People's Republic of China.

Loss allowance for trade receivables was measured by an independent valuer engaged by the Group at an amount equal to lifetime expected credit loss, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history, customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgements.

We focused on this area due to the magnitude of the trade receivables and the corresponding uncertainty inherent in such estimates and judgements.

Our audit procedures included:

— understanding the Group's credit control procedures, including its procedures on periodic review on aged receivables and assessment on expected credit losses of these receivables;

— testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices, sales contracts and documents on date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised;

— evaluating the competence, capability and objectivity of the independent valuer engaged by the management;

— involving our internal valuation specialist to assist us in evaluating the appropriateness of data used and key assumptions adopted in the assessing the expected credit losses, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year; and

— testing subsequent settlements, on a sample basis, by inspecting supporting documents in relation to payment receipt from customers subsequent to the end of the current reporting period.

We found the estimations and judgements made by management in respect of the collectability of receivables were consistent with the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditor's report is Wan Wing Ping.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 March 2023

Wan Wing Ping
Practicing certificate number P07471

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Revenue	5	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	6	34,978	16,079
Other expenses and losses	7	(9,413)	(677)
Distribution and selling expenses		(27,025)	(24,537)
General and administrative expenses		(39,984)	(64,909)
Finance costs	8	(1,316)	(2,089)
(Loss)/profit before tax	9	(141,996)	17,611
Income tax expense	11	(11,678)	(2,598)
(Loss)/profit and total comprehensive (expense)/income for the year		(153,674)	15,013
(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)
		(153,674)	15,013
		2022 RMB cents	2021 RMB cents
(Loss)/earnings per share — basic and diluted	13	(12.50)	1.29

Consolidated Statement of Financial Position

At 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	79,694	83,923
Right-of-use assets	15	12,868	13,228
Intangible assets	16	301,976	343,576
Restricted bank deposits	18	43,137	28,160
Pledged bank deposits	19	486	491
Time deposits with original maturities over three months	20	88,160	70,000
Financial assets at fair value through profit or loss	21	—	—
		526,321	539,378
CURRENT ASSETS			
Inventories	22	2,611	968
Contract costs	23	14,075	—
Trade, bills and other receivables	24	1,383,099	1,491,309
Restricted bank deposits	18	4,175	—
Pledged bank deposits	19	561	2,019
Time deposits with original maturities over three months	20	70,000	—
Bank balances and cash	25	118,333	201,399
		1,592,854	1,695,695
CURRENT LIABILITIES			
Trade and bills payables	26	86,880	84,020
Other payables	27	97,393	92,524
Contract liabilities	28	1,912	16,372
Borrowings	29	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	30	88,895	77,207
NET ASSETS		1,794,095	1,944,067
CAPITAL AND RESERVES			
Share capital	31	9,876	9,876
Reserves	32	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

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Xin Yingmei	**Su Hui**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

At 31 December 2022

	Attributable to owners of the Company								
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share held under share award scheme RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	9,876	133,663	2,627	257,539	(38,717)	1,784,535	2,149,523	(2,074)	2,147,449
Profit and total comprehensive income for the year	–	–	–	–	–	15,806	15,806	(793)	15,013
Dividends (Note 12)	–	–	–	–	–	(245,088)	(245,088)	–	(245,088)
Share award granted (Note 34 (b))	–	–	–	–	38,717	(12,024)	26,693	–	26,693
At 31 December 2021 and 1 January 2022	9,876	133,663	2,627	257,539	–	1,543,229	1,946,934	(2,867)	1,944,067
Loss and total comprehensive expense for the year	–	–	–	–	–	(152,839)	(152,839)	(835)	(153,674)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	4,000	4,000
Disposal of a subsidiary (Note 36)	–	–	–	–	–	–	–	(298)	(298)
At 31 December 2022	9,876	133,663	2,627	257,539	–	1,390,390	1,794,095	–	1,794,095

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Operating activities			
(Loss)/profit before tax		(141,996)	17,611
Adjustments for:			
Finance costs	8	1,316	2,089
Interest income	6	(8,758)	(9,860)
Net foreign exchange losses	7	449	294
Depreciation of property, plant and equipment	9	7,574	7,058
Depreciation of right-of-use assets	9	360	391
Amortisation of intangible assets	9	221,761	176,979
Impairment losses recognised on trade receivables, net	9	93,921	12,826
Impairment losses recognised on property, plant and equipment	9	211	—
Impairment losses recognised on intangible assets	9	41,043	—
Provision for litigation	7	8,853	—
Share-based payment expense	34(b)	—	26,693
(Gain)/loss on disposal of property, plant and equipment	6, 7	(131)	5
Gain on disposal of a subsidiary	6	(22,851)	—
Operating cash flows before movements in working capital		201,752	234,086
Increase in inventories		(1,763)	(347)
Increase in contract costs		(14,075)	—
Decrease/(increase) in trade, bills and other receivables		40,067	(63,090)
Increase/(decrease) in trade and bills payables		3,968	(10,896)
Decrease in other payables		(3,984)	(12,872)
(Decrease)/increase in contract liabilities		(14,460)	13,322
Cash generated from operations		211,505	160,203
Income tax paid		(873)	(69,469)
Net cash from operating activities		210,632	90,734
Investing activities			
Interest received		8,758	9,860
Net cash outflow from disposal of a subsidiary	36	(4,086)	—
Proceeds on disposal of property, plant and equipment		148	—
Purchase of property, plant and equipment		(3,700)	(3,068)
Payment for the cost incurred of intangible assets		(221,204)	(211,633)
Placement of restricted bank deposits		(19,152)	—
Proceeds/(placement) of pledged bank deposits		1,463	(1,281)
Placement of time deposits with original maturities over three months		(88,160)	(70,000)
Net cash used in investing activities		(325,933)	(276,122)

	NOTE	2022 RMB'000	2021 RMB'000
Financing activities			
Dividends paid	12	–	(245,088)
Interest paid	40	(1,316)	(2,089)
Capital injection by non-controlling interests		4,000	–
Repayments of borrowings	40	(40,000)	(80,000)
New bank loans raised	40	70,000	20,000
Net cash from/(used in) financing activities		32,684	(307,177)
Net decrease in cash and cash equivalents		(82,617)	(492,565)
Cash and cash equivalents at 1 January		201,399	694,258
Effect of foreign exchange rate changes		(449)	(294)
Cash and cash equivalents at 31 December, representing bank balances and cash		118,333	201,399

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 (the Company and subsidiaries are collectively referred to as the "Group") 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.

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

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the disclosure requirements of Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.1 Basis of preparation of consolidated financial statements — *continued*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Revenue from contracts with customers — continued

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its related business activities. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee — continued

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee — continued

Lease liabilities — continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income and gains”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination Benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

Share option scheme

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options, which is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the counterparties have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Share-based payments — continued

Equity-settled share-based payments transactions — continued

Share option scheme — continued

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (shares held under share award scheme).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the shares held under share award scheme. The difference arising from such transfer is debited/credited to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss)/ profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Taxation — continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Taxation — continued

Current and deferred tax is recognised in profit or loss. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings, are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, as follows:

Buildings	20 years
Electrical equipment	3 years
Office equipment	5 years
Motor vehicles	3 — 8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Intangible assets — continued

Internally-generated intangible assets — research and development expenditures — continued

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on non-current assets and contract costs

Non-current assets include property, plant and equipment, right-of-use assets, and intangible assets at Group level and include property, plant and equipment and investment in a subsidiary at company level. At the end of the reporting period, the Group reviews the carrying amounts of non-current assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of non-current assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Impairment on non-current assets and contract costs — continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Cash and cash equivalents — continued

Cash and cash equivalents presented on the consolidated statement of financial position include: — *continued*

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Contingent liabilities — continued

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Classification and subsequent measurement of financial assets — continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the other gains or losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, bills and other receivables, pledged bank deposits, restricted bank deposits, time deposits with original maturities over three months and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Impairment of financial assets subject to impairment assessment under IFRS 9 — continued

(i) Significant increase in credit risk — continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: — *continued*

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Impairment of financial assets subject to impairment assessment under IFRS 9 — continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 5 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Impairment of financial assets subject to impairment assessment under IFRS 9 — continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Impairment of financial assets subject to impairment assessment under IFRS 9 — continued

(v) Measurement and recognition of ECL — continued

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade, bills and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost and at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial liabilities and equity — continued

Equity instruments — continued

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and bills payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Related parties — continued

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any members of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — *continued*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on ageing analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 24 and Note 39.

Useful lives of intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

Estimated impairment of property, plant and equipment and intangible assets related to low carbon & ecology software and related services

Property, plant and equipment and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the gross amount of property, plant and equipment and intangible assets related to low carbon & ecology software and related services subject to impairment assessment were RMB211,000 and RMB41,043,000 respectively. Details of the impairment of property, plant and equipment and intangible assets are disclosed in Note 17.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — *continued*

Income tax

Certain subsidiaries of the Group were each entitled to a preferential corporate income tax rate for a specified period subject to satisfying certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax and deferred tax on the assumption that the subsidiaries will continue to meet the conditions and qualify for the preferential treatment as evidenced by past records. The consequence of any failure in the future years to meet the conditions and any subsequent changes in the applicable tax rate is then adjusted in the year in which the information becomes known.

5. 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.

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

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 with the scope of IFRS 15

Segments	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
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

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

(i) Disaggregation of revenue from contracts with customers with the scope of IFRS 15 — *continued*

	Year ended 31 December 2021		
Segments	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
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

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

(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.

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

(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	545,924	26,250	572,174
Segment profit/(loss)	60,573	(24,634)	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			(1,316)
Loss before tax			(141,996)

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

(iv) Segment results — *continued*

	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	506,795	79,618	586,413
Segment profit	96,557	10,013	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			(2,089)
Profit before tax			17,611

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 described in Note 3. 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.

5. REVENUE AND SEGMENTAL INFORMATION — *continued*

(iv) Segment results — *continued*

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.

6. OTHER INCOME AND GAINS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Gain on disposal of a subsidiary (Note 36)	22,851	—
Interest income	8,758	9,860
Government grants (Note (a))	511	1,709
Rental income (Note (b))	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 RMB1,639,000 and RMB601,000 (2021: RMB3,477,000 and RMBNil) is respectively from related companies, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong") and Jiangsu Skytech Industrial Internet Co., Limited ("Industrial Internet"), which Ms. Xin Yingmei ("Ms. Xin"), chairlady of the Company, has common control.

7. 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 (Note 44(ii))	8,853	—
Others	111	378
	9,413	677

8. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interests on bank loans	1,316	2,089

9. (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
	221,761	176,979
	229,695	184,428
Directors' emoluments	3,913	3,911
Cost of defined contribution retirement benefit plans	3,578	3,128
Employee benefits expenses	86,876	92,078
Total staff cost	94,367	99,117
Less: amount included in capitalised software costs	(70,465)	(71,755)
	23,902	27,362
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
	2,107	1,995
Research and development costs recognised as an expense	117,187	81,269
Cost of inventories recognised as an expense	63,968	150,146

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2022

	Executive director		Non-executive director	Independent non-executive director				
	Ms. Xin	Mr. Su Hui	Mr. Ren Geng	Mr. Zong Ping	Mr. Kwauk Teh Ming, Walter (Note i)	Mr. Kang Choon Kiat (Note ii)	Mr. Chan Choo Tee (Note iii)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	–	99	148	–	129	376
Other emoluments:								
Salaries, allowance and benefits in kind	2,732	712	–	–	–	–	–	3,444
Discretionary bonus	–	–	–	–	–	–	–	–
Pension scheme contributions	68	25	–	–	–	–	–	93
Total emoluments	2,800	737	–	99	148	–	129	3,913

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES — *continued*

For the year ended 31 December 2021

	Executive director		Non-executive director	Independent non-executive director				
	Ms. Xin	Mr. Su Hui	Mr. Ren Geng	Mr. Zong Ping	Mr. Kwauk Teh Ming, Walter (Note i)	Mr. Kang Choon Kiat (Note ii)	Mr. Chan Choo Tee (Note iii)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	–	96	143	108	31	378
Other emoluments:								
Salaries, allowance and benefits in kind	2,741	711	–	–	–	–	–	3,452
Discretionary bonus	–	–	–	–	–	–	–	–
Pension scheme contributions	59	22	–	–	–	–	–	81
Total emoluments	2,800	733	–	96	143	108	31	3,911

(i) Mr. Kwauk Teh Ming, Walter passed away on 24 November 2022 and Mr. Li Dong was appointed to fill the vacancy of independent non-executive director of the Company with effect from 1 February 2023.

(ii) Mr. Kang Choon Kiat resigned as the independent non-executive director of the Company with effect from 1 October 2021.

(iii) Mr. Chan Choo Tee was appointed as the independent non-executive director of the Company with effect from 1 October 2021.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Ms. Xin and Mr. Su Hui are the chief executive officer and chief financial controller respectively of the Company. Their emoluments disclosed above include their services rendered respectively as the chief executive officer and chief financial controller.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES — *continued*

Five highest paid employees

The five highest paid employees of the Group during the year included two (2021: two) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,608	1,249
Discretionary bonus	—	—
Pension scheme contributions	114	102
Total	1,722	1,351

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2022	2021
Nil to HK$1,000,000	3	3

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors of the Company and the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. No performance related incentive payments were paid to the directors and the five highest paid employees. And there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. 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 (Note 30)	11,688	2,913
	11,678	2,598

(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%.

11. INCOME TAX EXPENSE — *continued*

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(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

12. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Dividend recognised as distribution during the year:		
Final dividend of RMB20.05 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.

13. (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
	RMB'000	RMB'000
(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	(152,839)	15,806

	Year ended 31 December	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,222,385	1,222,385

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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electrical equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2021	105,413	18,254	8,500	4,384	136,551
Additions	—	2,119	949	—	3,068
Disposal	—	(102)	—	—	(102)
At 31 December 2021 and 1 January 2022	105,413	20,271	9,449	4,384	139,517
Additions	—	2,147	1,553	—	3,700
Disposal	—	(352)	—	—	(352)
Disposal of a subsidiary (Note 36)	—	—	(332)	—	(332)
At 31 December 2022	105,413	22,066	10,670	4,384	142,533
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	23,043	15,705	5,659	4,226	48,633
Provided for the year	4,884	957	1,154	63	7,058
Eliminated on disposal	—	(97)	—	—	(97)
At 31 December 2021 and 1 January 2022	27,927	16,565	6,813	4,289	55,594
Provided for the year	4,884	1,412	1,257	21	7,574
Eliminated on disposal	—	(335)	—	—	(335)
Eliminated on disposal of a subsidiary (Note 36)	—	—	(205)	—	(205)
Impairment loss recognised in the year	—	211	—	—	211
At 31 December 2022	32,811	17,853	7,865	4,310	62,839
CARRYING VALUES					
At 31 December 2022	72,602	4,213	2,805	74	79,694
At 31 December 2021	77,486	3,706	2,636	95	83,923

15. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Leasehold lands RMB'000	Total RMB'000
COST			
At 1 January 2021, 31 December 2021 and 1 January 2022	396	15,118	15,514
Written-off	(396)	—	(396)
At 31 December 2022	—	15,118	15,118
AMORTISATION			
At 1 January 2021	365	1,530	1,895
Charge for the year	31	360	391
At 31 December 2021 and 1 January 2022	396	1,890	2,286
Charge for the year	—	360	360
Written-off	(396)	—	(396)
At 31 December 2022	—	2,250	2,250
CARRYING VALUES			
At 31 December 2022	—	12,868	12,868
At 31 December 2021	—	13,228	13,228

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	141	780
Total cash outflow for leases	141	780

The Group owns several office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands which is on medium lease term. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

16. INTANGIBLE ASSETS

	Capitalised software costs RMB'000	Other software RMB'000	Total RMB'000
COST			
At 1 January 2021	749,880	398,903	1,148,783
Additions	88,404	123,229	211,633
At 31 December 2021 and 1 January 2022	838,284	522,132	1,360,416
Additions	103,228	117,976	221,204
At 31 December 2022	941,512	640,108	1,581,620
AMORTISATION AND IMPAIRMENT			
At 1 January 2021	505,884	333,977	839,861
Charge for the year	98,475	78,504	176,979
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
At 31 December 2022	745,286	534,358	1,279,644
CARRYING VALUES			
At 31 December 2022	196,226	105,750	301,976
At 31 December 2021	233,925	109,651	343,576

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

17. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group has been experiencing operating losses on the low carbon & ecology software and related services, a separate CGU for the year ended 31 December 2022. The management of the Group considered there were impairment indicators in respect of the property, plant and equipment and intangible assets related to the CGU.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of 5 years with pre-tax discount rate of 15.2%. The other key assumption for the value in use calculated is revenue annual growth rate which is determined based on historical performance and relevant operation plans.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. Therefore, the impairment loss of RMB211,000 and RMB41,043,000 has been recognised and allocated to property, plant and equipment and intangible assets respectively.

18. RESTRICTED BANK DEPOSITS

As at 31 December 2022, restricted bank deposits represent cash held at banks as security in relation to the court cases between Nanjing Skytech, Nanhua Skytech Technology Co., Ltd. and/or certain vendors which carry interest ranging from 0.35% to 3.2% (2021: 4.18%) per annum.

Details of impairment assessment of restricted bank deposits are set out in Note 39.

19. PLEDGED BANK DEPOSITS

As at 31 December 2022, pledged bank deposits represent deposits pledged as guarantee deposit for issuance of bank acceptance notes to suppliers, carrying fixed interest rates ranging from 0.25% to 2.75% (2021: 1.3% to 2.75%) per annum and will be matured within 2 year.

Details of impairment assessment of pledged bank deposits are set out in Note 39.

20. TIME DEPOSITS WITH ORIGINAL MATURITIES OVER THREE MONTHS

As at 31 December 2022, the time deposits are made for periods more than three months with creditworthy banks, unsecured, carrying fixed interest rates ranging from 3.25% to 4.18% per annum and will be matured within 3 years (2021: carrying fixed interest rates ranging from 3.5% to 4.18% per annum and will be matured in 2023).

Details of impairment assessment of time deposits are set out in Note 39.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unlisted equity securities	–	–

The balance represents 4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Limited 江蘇賽聯信息產業研究院股份有限公司 ("Cyberunion"), a private entity established in the PRC. As at 31 December 2022 and 2021, the directors of the Company are of the opinion that the fair value of Cyberunion is zero in view of it was still in the process of voluntary winding up with no residual value is expected. The details of measurement and changes in fair value is described in Note 39.

22. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Purchased government big data software and related services related products	2,611	968

23. CONTRACT COSTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Platforms and systems under development	14,075	–

Contract costs capitalised relate to development cost which are still under development at the reporting date and expect to be recognised in profit or loss within 1 year or less. There was no impairment in relation to the costs capitalised during the year.

24. 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)
Trade receivables, net	1,230,021	1,294,554
Bills receivables	1,477	—
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 (Note)	18,556	—
Others	1,506	12,408
	1,383,099	1,491,309

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
	1,230,021	1,294,554

24. TRADE, BILLS AND OTHER RECEIVABLES — *continued*

The following is an aged analysis of bills receivables presented based on the bill issue date.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
61 — 90 days	1,377	—
91 — 180 days	100	—
	1,477	—

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
	RMB'000	RMB'000
61 — 90 days	23	—
91 — 180 days	1,354	—
181 — 365 days	100	—
	1,477	—

Details of impairment assessment of trade, bills and other receivables are set out in Note 39.

25. BANK BALANCES AND CASH

As at 31 December 2022, bank balances carry interest at market rates ranging from 0.25% to 1.91% per annum at 31 December 2022 (2021: 0.3% to 2.01% per annum).

Details of impairment assessment of bank balances and cash are set out in Note 39.

26. TRADE AND BILLS PAYABLES

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

Note: As at 31 December 2021, the Group's bills payables were secured by pledged bank deposits of the Group (Note 19).

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 the 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
	86,880	84,020

27. OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Payroll payables	11,640	14,408
VAT and other tax payables	70,315	70,359
Provision for litigation (Note 44(ii))	8,853	—
Others	6,585	7,757
	97,393	92,524

28. CONTRACT LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Sales contracts		
— billings in advance of performance	1,912	16,372

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Balance at 1 January	16,372	3,050
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(15,644)	(3,050)
Increase in contract liabilities as a result of billing in advance of performance	1,184	16,372
Balance at 31 December	1,912	16,372

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a prepayment from customer, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the prepayment.

29. BORROWINGS

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

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 RMB50,000,000 (2021: RMB70,000,000). The bank borrowings carry at effective interest rate of 3% (31 December 2021: 3.85%) per annum and is repayable within one year.

30. 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 RMB'000	As at 31 December 2021 RMB'000
Net deferred tax liabilities	88,895	77,207

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

	ECL provision of trade receivables RMB'000	Capitalised software costs RMB'000	Withholding tax RMB'000	Total RMB'000
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
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)
At 31 December 2022	3,152	(18,897)	(73,150)	(88,895)

30. DEFERRED TAX — *continued*

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 RMB150,131,000 (2021: RMBNil). 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 RMB102,584,000 (31 December 2021: RMB76,095,000) 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 RMB3,391,000 (2021: RMB5,916,000) 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.

31. SHARE CAPITAL

	Number of shares '000	Share capital RMB'000
Ordinary shares of HKD0.01 each		
Authorised		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	8,000,000	59,128
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,222,385	9,876

32. RESERVES

PRC Statutory Reserve

Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to these funds are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiaries (the "PRC Accounting Profit").

The subsidiaries are required to transfer 10% of their PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses incurred or to increase capital.

Capital Reserve

As part of a reorganisation (the "Reorganisation") as set out in the section headed "History Reorganisation and Group Structure" in the Company's prospectus dated 27 June 2013 in relation to its global offering of the Company's shares, the Company acquired 100% interest in Infotech Holdings Pte. Ltd. ("Infotech Holdings") in January 2011 and became the holding company of the Group. An amount of RMB891,000 representing the nominal value of share capital of Infotech Holdings was credited to capital reserve upon the Reorganisation. Further in 2011, an amount of RMB1,736,000 arising from an indemnification of an equal amount from Ms. Xin was credited to capital reserve. Further in 2019, an amount of RMB3,861,000 arising from shareholding restructure of Jiangsu Skytech Zumoo. Upon the disposal of Jiangsu Skytech Zumoo during 2020, RMB3,861,000 was transferred to the Group's retained profits.

Share Premium

The funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as when they fall due in the ordinary course of business.

Shares Held Under Share Award Scheme

The shares held under share award scheme is the consideration paid, including directly attributable incremental costs for purchase of shares under the share award scheme, in accordance with the accounting policy set out in Note 3.

33. RETIREMENT BENEFIT PLANS

Pursuant to the relevant regulations of the PRC government, Nanjing Skytech, Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Qingdao Skytech Software Co., Limited ("Qingdao Skytech"), Jiangsu Skytech Investment and Nanjing Aisita Real Estate Co., Limited ("Nanjing Aisita") have participated in central pension schemes (the "Schemes") operated by the local municipal government and the Group is required to contribute certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of Nanjing Skytech, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment and Nanjing Aisita. The only obligation of Nanjing Skytech, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment and Nanjing Aisita with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as when incurred. There are no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The total amounts contributed by the Group to the Schemes and charged to profit or loss represent contribution payable to the Schemes by the Group at rates specified in the rules of the Schemes and are as follows:

	2022 RMB'000	2021 RMB'000
Total amounts contributed	3,578	3,128
Less: Amounts contributed and capitalised to intangible assets	(3,140)	(2,784)
Amounts contributed and charged to profit or loss	438	344

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to the written solution passed on 11 June 2013, the Company adopted a pre-IPO share option scheme (the "Share Option Scheme") to (i) motivate the personnel to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the personnel whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Under the Share Option Scheme, the Board of Directors of the Company (the "Directors") may grant options to (i) any employees, executives, officers or any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and (ii) any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Directors will contribute or have contributed to the Company or any of its subsidiaries.

34. SHARE-BASED PAYMENT TRANSACTIONS — *continued*

(a) Pre-IPO Share Option Scheme — *continued*

Upon acceptance of the option, the grantee shall pay HKD1 to the Company by way of consideration for the grant. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 100,000,000 shares. The limit may be renewed at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme of the Company to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of that 1% of the shares in issue as at the date of grant shall be subject to the issue of a circular by the Company and the approval of shareholders in general meeting. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Directors propose to grant options to a substantial shareholder or any independent non- executive director or their respective associates in aggregate over 0.1% of the shares in issue; and with aggregate value in excess of HKD5 million will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

Options may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the options are deemed to be granted and accepted and prior to the expiry of 10 years from that date. The exercise price is determined by the Directors, and must be at least the higher of (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

As at 31 December 2022 and 31 December 2021, no option has been granted under the Share Option Scheme since its adoption date.

(b) Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 13 December 2016 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme are to (i) recognise and motivate the contributions by certain employees and non-executive directors of the Company and/or any member of the Group who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any member of the Group ("Eligible Participants") and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; and (iii) provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

34. SHARE-BASED PAYMENT TRANSACTIONS — *continued*

(b) Share Award Scheme — *continued*

The Company has engaged ARK Trust (Hong Kong) Limited (the "Trustee") to administer and hold the Company's shares with a sum of up to HKD40,000,000 (equivalent to RMB35,780,000) before they are vested and transferred to the Eligible Participants. The Trustee purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions.

During the year ended 31 December 2016 and 31 December 2017, 5,550,000 and 10,303,000 ordinary shares of the Company have been acquired by the Company through its trustee at aggregate costs of approximately HKD13,700,000 (equivalent to approximately RMB12,255,000) and HKD26,300,000 (equivalent to approximately RMB23,396,000) (the "First Contributed Amount") respectively.

Pursuant to the Company's announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD50,000,000 (equivalent to approximately RMB44,131,000) for the purchase of Company's ordinary shares through the Trustee to be awarded to be Eligible Participants as to be selected by the Board of Directors (the "Second Contributed Amount"). The Second Contributed Amount will be paid to the trustee as and when required.

During the year ended 31 December 2017 and 31 December 2018, 15,577,000 and 4,226,000 ordinary shares of the Company have been acquired by the Company through its Trustee, at an aggregate cost of approximately HKD37,398,000 (equivalent to approximately RMB31,795,000) and HKD9,999,000 (equivalent to approximately RMB8,098,000) respectively.

For the year ended 31 December 2018, the Group has granted a total of 16,005,000 shares of the Company to 113 employees whom are Eligible Participants pursuant to the scheme at nil consideration on 22 August 2018. The value of approximately HKD43,533,600 (equivalent to approximately RMB36,827,000), taking into account of the average closing price of HKD2.72 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant. As at 31 December 2018, 13,265,000 granted shares have been transferred to employees and the remaining 2,740,000 granted shares were transferred to employees in January 2019.

For the year ended 31 December 2021, the Company has granted a total of 19,651,000 shares to 9 employees whom are Eligible Participants and not connected persons pursuant to the share award scheme at nil consideration. The awarded shares to be granted represent approximately 1.61% of the total number of shares of the Company in issue at the prevailing time and the value of approximately HKD31,716,714 (equivalent to approximately RMB26,693,000), taking into account of the average closing price of HKD1.614 (equivalent to RMB1.358) per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant. The awarded shares were granted by acquisition of existing shares through on-market transactions by the Trustee. The grant will not result in any issue of new shares or any dilution effect on the existing shareholding of the Company.

On 14 October 2022, the board of directors passed a resolution to terminate the share award scheme with immediate effect.

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group as disclosed to the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Pledged bank deposits (Note 19)	1,047	2,510

36. 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 RMB6,000,000. 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)
Net liabilities disposed of	(16,553)
Gain on disposal of a subsidiary:	
Consideration received	6,000
Net liabilities disposed of	16,553
Non-controlling interests	298
Gain on disposal of a subsidiary	22,851
Satisfied by:	
Cash	6,000
Net cash outflow arising on disposal:	
Cash consideration received	6,000
Less: bank balances and cash disposed of	(10,086)
	(4,086)

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

37. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 3 (2021: 1) years.

Undiscounted lease payments receivable on leases are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	2,540	1,721
In the second year	819	—
In the third year	819	—
	4,178	1,721

38. CAPTIAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
FVTPL	–	–
Amortised cost	1,582,012	1,615,178
	1,582,012	1,615,178
Financial liabilities		
Amortised cost	155,105	126,185

Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, bank balances and cash, restricted bank deposits, pledged bank deposits, time deposits with original maturities over three months, trade and bills payables, other payables and borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk, liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in currency risk, interest rate risk and other price risk. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) *Currency risk*

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.

39. FINANCIAL INSTRUMENTS — *continued*

Financial risk management objectives and policies — *continued*

Market risk — continued

(i) Currency risk— continued

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting periods are as follows:

	2022 RMB'000	2021 RMB'000
Assets		
USD	1,483	1,799
HKD	2,340	9,065

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against USD and HKD. This represents management's assessment of the reasonably possible fluctuation in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss before tax for the year (2021: increase in profit before tax) where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the (loss)/profit before tax for the year.

	2022 RMB'000	2021 RMB'000
USD impact	74	90
HKD impact	117	453
	191	543

In the management's opinion, the sensitivity analysis is unrepresentative of inherent foreign currency risk as the year end exposure does not reflect the exposure during the relevant years.

39. FINANCIAL INSTRUMENTS — *continued*

Financial risk management objectives and policies — *continued*

Market risk — continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (Note 18), pledged bank deposits (Note 19), time deposits with original maturities over three months (Note 20) and fixed-rate bank borrowings (Note 29). The Group is also exposed to cash flow interest rate risk in relation to the variable-rate bank balances (Note 25). The Group cash flow interest rate risk is mainly concentrated on fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and ensure they are within reasonable range.

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2022 RMB'000	2021 RMB'000
Interest revenue		
Financial assets at amortised cost	8,758	9,860

Interest expense on financial liabilities not measured at FVTPL:

	2022 RMB'000	2021 RMB'000
Financial liabilities at amortised cost	1,316	2,089

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2021: 100 basis points) increase or decrease in variable-rate bank balances is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2022 would decrease/increase by approximately RMB1,066,000 (2021: post-tax profit would increase/decrease by approximately of RMB1,796,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

39. FINANCIAL INSTRUMENTS — *continued*

Financial risk management objectives and policies — *continued*

Market risk — continued

(iii) Other price risk

In the opinion of the management, the Group has no material other price risk exposure due to the short maturity period of the deposits with bank. Accordingly, no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties' default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade, bills and other receivables, restricted bank deposits, pledged bank deposits and time deposits and bank balances.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's asset portfolio. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 22% (2021: 21%) of total trade receivables was due from the Gorup's five largest customers. The management of the Group generally grants credit only to customers with sound historical trading records and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivable is reviewed at the end of each reporting period and adequate impairment for credit losses has been made for irrecoverable amounts.

In addition, the Group perform impairment assessment under ECL model on trade receivables. Impairment of RMB93,921,000 (2021: RMB12,826,000) is recognised during the year. Details of quantitative disclosures are set out in this note.

Other receivables

As at 31 December 2022 and 2021, the management believes that there is no significant increase in credit risk of these amounts since initial recognition and thus no loss allowance is recognised.

39. FINANCIAL INSTRUMENTS — *continued*

Credit risk and impairment assessment — *continued*

Restricted bank deposits/pledged bank deposits/time deposits/bank balances/bills receivables

The restricted bank deposits, pledged bank deposits, time deposits, bank balances and bills receivables are determined to have low credit risk at the end of each reporting period. The credit risk on restricted bank deposits, pledged bank deposits, time deposits, bank balances and bills receivables is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS — *continued*

Credit risk and impairment assessment — *continued*

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
Financial assets at amortised costs						
Restricted bank deposits	18	A	N/A	12m ECL	47,312	28,160
Pledged bank deposits	19	A	N/A	12m ECL	1,047	2,510
Time deposits with original maturities over three months	20	A	N/A	12m ECL	158,160	70,000
Bank balances	25	A	N/A	12m ECL	118,333	201,399
Other receivables	24	N/A	(Note (i))	12m ECL	7,106	19,041
Bills receivables	24	A-	N/A	12m ECL	1,477	–
Trade receivables	24	N/A	(Note (ii))	Lifetime ECL — not credit-impaired	1,349,863	1,320,395
			Loss	Lifetime ECL — credit-impaired	–	5,688

39. FINANCIAL INSTRUMENTS — *continued*

Credit risk and impairment assessment — *continued*

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2022

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Other receivables	—	7,106	7,106

2021

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Other receivables	—	19,041	19,041

(ii) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMBNil (2021: RMB5,688,000) were assessed individually.

39. FINANCIAL INSTRUMENTS — *continued*

Credit risk and impairment assessment — *continued*

Gross carrying amount

	31 December 2022		31 December 2021	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Current (not past due)	2.74%	347,766	0.64%	399,818
Less than 1 year past due	4.35%	269,623	0.96%	282,497
Over 1 year but less than 2 years past due	7.14%	214,772	1.80%	381,805
Over 2 years past due	16.08%	517,702	5.35%	256,275
		1,349,863		1,320,395

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group provided RMB93,921,000 (2021: RMB12,826,000) impairment allowance for trade receivables, based on the provision matrix. And no impairment allowance was made on credit-impaired debtors for the year ended 31 December 2022 and 2021.

39. FINANCIAL INSTRUMENTS — *continued*

Credit risk and impairment assessment — *continued*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2021	13,015	5,688	18,703
Changes due to financial instrument recognised as at 1 January 2021:			
— Impairment losses recognised	10,279	—	10,279
New financial assets originated	2,547	—	2,547
At 31 December 2021	25,841	5,688	31,529
Changes due to financial instrument recognised as at 1 January 2022:			
— Impairment losses recognised	84,487	—	84,487
— Impairment losses reversed	—	(80)	(80)
— Write-off	—	(5,608)	(5,608)
New financial assets originated	9,514	—	9,514
At 31 December 2022	119,842	—	119,842

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 5 years past due, whichever occurs earlier.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings and ensures compliance with loan covenants. The Group relies on borrowings as a significance source of liquidity. Details of which are set out in Note 29.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

39. FINANCIAL INSTRUMENTS — *continued*

Liquidity risk — *continued*

Liquidity tables

	Weighted average interest rate %	On demand or 3 months or less RMB'000	3-6 months RMB'000	6-12 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2022 RMB'000
2022						
Trade and bills payables	–	86,880	–	–	86,880	86,880
Other payables	–	18,225	–	–	18,225	18,225
Bank borrowings	3.00	–	–	51,288	51,288	50,000
		105,105	–	51,288	156,393	155,105

	Weighted average interest rate %	On demand or 3 months or less RMB'000	3-6 months RMB'000	6-12 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2021 RMB'000
2021						
Trade and bills payables	–	84,020	–	–	84,020	84,020
Other payables	–	22,165	–	–	22,165	22,165
Bank borrowings	3.85	–	20,278	–	20,278	20,000
		106,185	20,278	–	126,463	126,185

39. FINANCIAL INSTRUMENTS — *continued*

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value, if any.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable input
	31 December 2022	31 December 2021			
Unlisted equity investments	RMBNil	RMBNil	Level 3	Asset-based approach	N/A

For the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

There is no movement in the balance of Level 3 fair value measurement during the year.

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 31 December 2022 and 2021.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (Note 29) RMB'000
At 1 January 2021	80,000
Financing cash flows:	
— Repayment of bank loan	(80,000)
— New bank loan raised	20,000
— Interest paid	(2,089)
Other changes:	
— Interest expenses	2,089
At 31 December 2021 and 1 January 2022	20,000
Financing cash flows:	
— Repayment of bank loan	(40,000)
— New bank loan raised	70,000
— Interest paid	(1,316)
Other changes:	
— Interest expenses	1,316
At 31 December 2022	50,000

41. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with related parties:

	2022 RMB'000	2021 RMB'000
Nature of transactions with related companies:		
Rental expense*	2,240	3,477

* During the year ended 31 December 2022 and 2021, rental expense was paid to related companies over which Ms. Xin has a common control.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year were as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	5,428	5,079
Retirement benefits scheme contributions	207	183
	5,635	5,262

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. Further details of compensation of directors' emoluments are included in Note 10.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	(a)	132,879	132,879
Property, plant and equipment		6	6
		132,885	132,885
CURRENT ASSETS			
Amounts due from subsidiaries		44,966	44,966
Other receivables		71	71
Bank balances and cash		2,460	9,184
		47,497	54,221
CURRENT LIABILITIES			
Other payables		1,985	1,934
NET CURRENT ASSETS		45,512	52,287
NET ASSETS		178,397	185,172
CAPITAL AND RESERVES			
Share capital		9,876	9,876
Reserves	(b)	168,521	175,296
TOTAL EQUITY		178,397	185,172

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Notes:

(a) A list of the Company's subsidiaries is shown in Note 43 to the consolidated financial statements.

(b) Movement of the Company's reserves

	Share premium RMB'000	Shares held under share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	257,539	(38,717)	(46,871)	171,951
Profit and total comprehensive income for the year	—	—	221,740	221,740
Dividends (Note 12)	—	—	(245,088)	(245,088)
Share award granted (Note 34(b))	—	38,717	(12,024)	26,693
At 31 December 2021 and 1 January 2022	257,539	—	(82,243)	175,296
Loss and total comprehensive expense for the year	—	—	(6,775)	(6,775)
At 31 December 2022	257,539	—	(89,018)	168,521

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operation and type of legal entity	Issued and fully paid share capital/ registered capital	Equity interest held by the Company Direct 2022 %	Direct 2021 %	Indirect 2022 %	Indirect 2021 %	Principal activities
Infotech Holdings Pte. Ltd.	Singapore, limited company	SGD 27,538,640	100	100	–	–	Investment holding
Nanjing Skytech Co., Limited 南京擎天科技有限公司 (Note (a))	PRC, limited company	RMB200,000,000	–	–	100	100	Software development, system integration, sales of related computer products and provision of solution services
Zhenjiang Skyinformation Co., Limited 鎮江擎天信息科技有限公司 (Note (a))	PRC, limited company	RMB5,000,000	–	–	100	100	Development and sale of software and system related products and services
Jiangsu Skytech Investment Management Co., Limited 江蘇擎天科技投資管理有限公司 (Note (a))	PRC, limited company	USD83,650,000	–	–	100	100	PRC investment and advisory
Qingdao Skytech Software Co., Limited 青島擎天軟件有限公司 (Note (a))	PRC, limited company	RMB10,000,000	–	–	100	100	Computer products of system integration and software development

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY – *continued*

Details of the Company's subsidiaries are as follows: – *continued*

Name of subsidiary	Place of incorporation/ operation and type of legal entity	Issued and fully paid share capital/ registered capital	Equity interest held by the Company				Principal activities
			Direct		Indirect		
			2022 %	2021 %	2022 %	2021 %	
Nanjing Aisita Real Estate Co., Limited 南京艾斯特置業有限公司 (Note (a))	PRC, limited company	RMB120,000,000	–	–	100	100	Properties holding
Jiangsu Skytech Industrial Internet Co., Limited 江蘇擎天工業互聯網有限公司 (Note (a),(b))	PRC, limited company	RMB10,000,000	–	–	–	60	Computer products of system integration and software development

Notes:

(a) The English translation of the name is for reference only. The official name of the entity is in Chinese.

(b) Industrial Internet was disposed on 10 May 2022. Details are set out in Note 36.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

44. 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 RMB27,906,000 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 RMB27,906,000 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 RMB10,424,000. 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 RMB7,977,000 plus related costs of approximately RMB876,000. A provision of claim in the amount of approximately RMB8,853,000 was made as at 31 December 2022 under other payables.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's presentation.