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

2021
ANNUAL REPORT

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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. Kang Choon Kiat (resigned on 1 October 2021)
Mr. Chan Choo Tee (appointed on 1 October 2021)
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
Mr. Kang Choon Kiat (resigned on 1 October 2021)
Mr. Chan Choo Tee (appointed on 1 October 2021)
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
(resigned on 1 October 2021)
Mr. Chan Choo Tee *(Chairman)*
(appointed on 1 October 2021)
Mr. Kwauk Teh Ming, Walter
Mr. Su Hui

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
(resigned on 1 October 2021)
Mr. Chan Choo Tee *(Chairman)*
(appointed on 1 October 2021)
Mr. Kwauk Teh Ming, Walter
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

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
Level 54, Hopewell Centre
183 Queen's Road East
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				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	586,413	533,809	606,352	718,528	601,018
Net profit before tax	17,611	526,970	243,668	272,102	252,314
Income tax expense	(2,598)	(78,171)	(45,170)	(35,722)	(22,632)
Profit from discontinued operation	–	64,555	82,586	–	–
Net profit for the year	15,013	513,354	281,084	236,380	229,682
Net profit attributable to					
Owners of the Company	15,806	515,940	283,343	236,363	229,682
Non-controlling interests	(793)	(2,586)	(2,259)	17	–
Net profit for the year	15,013	513,354	281,084	236,380	229,682

ASSETS AND LIABILITIES

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets					
Non-current assets	539,378	438,619	454,108	373,295	342,060
Current assets	1,695,695	2,137,153	1,513,132	1,307,046	1,056,215
Total assets	2,235,073	2,575,772	1,967,240	1,680,341	1,398,275
Equity and liabilities					
Equity attributable to					
Owners of the Company	1,946,934	2,149,523	1,633,583	1,364,487	1,180,927
Non-controlling interests	(2,867)	(2,074)	7,809	3,517	–
Total equity	1,944,067	2,147,449	1,641,392	1,368,004	1,180,927
Non-current liabilities	77,207	87,720	73,893	51,144	41,634
Current liabilities	213,799	340,603	251,955	261,193	175,714
Total liabilities	291,006	428,323	325,848	312,337	217,348
Total equity and liabilities	2,235,073	2,575,772	1,967,240	1,680,341	1,398,275

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 2021.

In 2021, despite the pressure on the macro economy, China is actively promoting digital transformation. With the well-recognized data service capabilities, the Group has become one of the government's service providers in digital empowerment and intelligent transformation projects. Under China's continuous effort in implementing policies including enhancing social governance and controlling carbon emissions, the Group's government big data and low carbon & ecology products encounter considerable market opportunities. The Group rapidly responded to market demands, actively invested in research and development ("R&D"), and optimized business strategies, not only laid the foundation for long term development, but also successfully achieved the year-on-year revenue growth, recorded profit and maintained healthy operations during the year ended 31 December 2021.

Under the background that countries around the world have successively issued green policies, China is striving to achieve carbon peak by 2030 and carbon neutrality by 2060, as well as the implementation of relevant policies by local governments, demands for emissions management from government agencies and enterprises are constantly increasing. Leveraging the consultation and planning experience in the carbon field and the accumulated informatization capabilities, the Group continued to upgrade the "dual carbon" integrated solutions and innovate the Skytech Green and Low Carbon Industrial Internet Platform, to serve manufacturing industries, provide carbon emission data monitoring and carbon asset operation and management software for enterprises, so as to facilitate enterprises in green transformation, cost reduction and efficiency enhancement. Major products include enterprise carbon asset management platform and zero-carbon building integrated management platform.

The experience of the COVID-19 pandemic made various types of online services and management platforms become even more important. Applications for grassroots citizens have helped smoothen the society operation, relevant demands emerged accordingly. With machine learning technology introduced to the Group in recent years, which facilitates intelligent matching of industry data and experience summary to government service rules and industry knowledge bases to support the integration of unmanned government services and terminal equipment, products such as grassroots democratic negotiation integrated service platform, deliberation service terminal equipment, and trade union employee service terminal targeting grassroots government workers and social representatives across the country have been launched and established strong market competitiveness. In addition, the Group integrated community correction services and technologies such as biometrics to develop remote service terminal products, including unmanned remote control and psychological assessment for people under community sentences, which were also promoted to many provinces and cities during the year under review.

For big data products, the Group's data as a service ("DaaS") platform leveraging on its years of experience in government data governance, has opened up markets in different fields such as judiciary, city emergency management, fire protection, become the supporting platform of relevant government departments in data governance, and also developed a variety of big data products continuously. Among them, big data fusion algorithm platforms such as legal aid traceability analysis, legal risk assessment, and city meteorological disasters multivariable early warning have won the favor of national and various provincial and municipal departments.

Also, under the influence of the pandemic and extreme weather, etc., the country's demand for anti-pandemic and emergency response surged, and the Group's social governance and emergency management products were welcomed by the market. Products such as social governance grid and city safety lifeline, public safety risk management have gradually increased market competitiveness.

OUTLOOK

Looking ahead, under the background of policies such as digital transformation and "dual carbon", the Group will continue to conduct in-depth research on market demand, develop new products, and actively promote to different provinces, cities and regions.

In the field of low carbon, the Group will intensify its expansion and aim to launch products covering key energy consumption industries such as petrochemicals, chemicals, building materials, and steel during the 14th Five-Year Plan period. The People's Bank of China has launched a carbon emission reduction supporting tool, and the China Development Bank has also launched an action plan, which clearly supports carbon peaking and carbon neutrality, to provide continuous high quality and efficient financial services for green, low carbon and circular development. Moreover, the European Parliament has preliminarily passed the EU carbon tariff policy and plans to implement it from 1 January 2023, which is expected to urge the needs of export enterprises to reduce emissions.

For government big data software and related services, the Group will continue to promote integrated terminal equipment for different government services nationwide, and expand the coverage in grassroots governments and institutions continuously. The cloud market based on terminal equipment capabilities will form cloud-to-end software as a service ("SaaS") products and will be promoted to government service industries. The Group will deeply cultivate digital city governance product series that have achieved market advantages, and will closely follow China's government services informatization development direction of digitalization and cross regions collaboration, to explore the Group's value in the national market. In particular, the Group undertook the national judicial forensic blockchain pilot project during 2021, and completed the construction of the national judicial forensic document digitalize and coding platform. As the technical supporter, the Group has participated in the formulation of data standards for electronic licenses of judicial forensic institutions across the country, and is expected to establish SaaS capabilities for institutions and the public for forensics depository and online identification in 2022, to form digital service market for the public, judicial institutions, law enforcement institutions, legal practitioners, insurance institutions etc., and will bring along broad prospects.

Xin Yingmei
Chairlady

Hong Kong, 28 March 2022

Management Discussion and Analysis

REVENUE

For the year ended 31 December 2021, the Group's results recorded from the continuing operations in the statement of profit and loss included two businesses, namely government big data software and related services and low carbon & ecology software and related services.

Export enterprise cloud-based software and services business, which was disposed of during the year ended 31 December 2020, was classified as discontinued operation on 27 November 2020.

System integration solutions, which was classified as a separate product line in prior periods, is a complementary service and its business nature has become more correlated to the Group's government big data software and related services instead of a standalone product line. Therefore, during the year ended 31 December 2021, system integration solutions segment was merged into government big data software and related services segment. The comparative figures for the year ended 31 December 2020 were restated as if the system integration solutions segment had been merged at the beginning of that period, to provide a consistent comparative basis.

For the year ended 31 December 2021, the Group's revenue from continuing operations recorded approximately RMB 586.4 million, representing a 9.9% increase as compared to approximately RMB 533.8 million for the same period in 2020. The revenue increase was mainly due to revenue from both government big data software and related services as well as low carbon & ecology software and related services increased during the year ended 31 December 2021.

Government Big Data Software and Related Services

For the year ended 31 December 2021, revenue generated from government big data software and related services amounted to approximately RMB 506.8 million, representing an increase of approximately 9.5% as compared to approximately RMB 462.8 million for the corresponding period in 2020.

Low Carbon & Ecology Software and Related Services

For the year ended 31 December 2021, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 79.6 million, representing an increase of approximately 12.1% as compared to approximately RMB 71.0 million for the corresponding period in 2020.

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 2021, the Group's cost of sales from continuing operations was approximately RMB 398.6 million, representing an increase of approximately 35.3% as compared to approximately RMB 294.5 million during the year ended 31 December 2020. During the year ended 31 December 2021, 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 2021, the Group's segment results was approximately RMB 106.6 million, representing a decrease of approximately 41.8% as compared to approximately RMB 183.1 million for the year ended 31 December 2020.

The Group's overall segment results margin was approximately 18.2% in the year ended 31 December 2021, representing a decrease from approximately 34.3% in the year ended 31 December 2020.

RESEARCH AND DEVELOPMENT COSTS

For the year ended 31 December 2021, the Group's R&D costs from continuing operations amounted to approximately RMB 81.3 million, representing an increase of approximately 36.1% as compared to approximately RMB 59.7 million for the year ended 31 December 2020, mainly attributable to the increased investments in developing future products for long-term growth.

OTHER INCOME AND GAINS

For the year ended 31 December 2021, the Group's other income and gains from continuing operations amounted to approximately RMB 16.1 million, representing a decrease as compared to approximately RMB 420.1 million for the year ended 31 December 2020. The decrease was mainly due to the absence of any one-off disposal gain for the year ended 31 December 2021 while a disposal gain resulted from the disposal of the Group's subsidiaries and assets of approximately RMB 409.3 million was recorded for the year ended 31 December 2020. Details of the disposal are set out in Note 13 to the consolidated financial statements contained in this annual report.

OTHER EXPENSES AND LOSSES

For the year ended 31 December 2021, the Group's other expenses and losses from continuing operations were approximately RMB 13.5 million, which were increased from approximately RMB 7.3 million for the year ended 31 December 2020, mainly due to the increase in impairment on trade receivables during the year ended 31 December 2021.

DISTRIBUTION AND SELLING EXPENSES

For the year ended 31 December 2021, the Group's distribution and selling expenses from continuing operations were approximately RMB 24.5 million, representing a decrease from approximately RMB 28.2 million for the year ended 31 December 2020. The decrease was mainly attributable to less marketing activities during the COVID-19 pandemic.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2021, the Group's general and administrative expenses from continuing operations were approximately RMB 64.9 million, which were increased from approximately RMB 38.9 million for the year ended 31 December 2020, mainly due to the cost recorded in connection with the grant of awarded shares to certain employees during the year ended 31 December 2021.

INCOME TAX EXPENSE

For the year ended 31 December 2021, the Group's income tax expense from continuing operations was approximately RMB 2.6 million, which was decreased from approximately RMB 78.2 million for the year ended 31 December 2020. The decrease was mainly due to the lower profit during the year ended 31 December 2021.

PROFIT AND TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2021, the Group's profit and total comprehensive income was approximately RMB 15.0 million, as compared to approximately RMB 513.4 million for the year ended 31 December 2020.

NET CURRENT ASSETS

As at 31 December 2021, the Group had net current assets of approximately RMB 1,481.9 million (31 December 2020: approximately RMB 1,796.6 million).

TRADE RECEIVABLES

For the year ended 31 December 2021, the trade receivables turnover decreased by 73 days to 818 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) (2020: 891 days).

The Group's trade customers are primarily government agencies and the Group offered credit terms to them with reference to the expected timing of settlement of around one year. A longer credit term may be extended to certain customers depending on price, the size of the contract, credibility and reputation of the customers.

Subsequent to the year ended 31 December 2021 and as of the date of this annual report, the Group has collected approximately RMB 94.4 million of trade receivables, representing approximately 7.3% of trade receivables outstanding as of 31 December 2021.

Before accepting any new projects, the Group assesses the potential customers' credit quality. In addition, the Group continues to enforce strict credit terms and overdue balances are reviewed regularly by management, although there are inevitable delay in payment from certain direct government customers.

FINANCIAL RESOURCES AND LIQUIDITY

During the year ended 31 December 2021, 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 90.7 million (2020: approximately RMB 246.6 million). As at 31 December 2021, the Group had cash and cash equivalent of approximately RMB 201.4 million (31 December 2020: approximately RMB 694.3 million), which were mainly denominated in RMB.

As at 31 December 2021, the Group had bank borrowings of RMB 20 million (31 December 2020: RMB 80 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 1.0% (31 December 2020: approximately 3.7%).

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, accumulated profits and other reserves. For more details, please refer to notes 20, 25 and 36 to the consolidated financial statements.

CHARGE ON ASSETS

As at 31 December 2021, 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 20, 29 and 35 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2021, except disclosed in note 42 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 88.4 million (31 December 2020: approximately RMB 135.0 million) and the addition to purchased software of approximately RMB 123.2 million (31 December 2020: approximately RMB 79.5 million) less the amortisation charges for the year ended 31 December 2021.

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

For the year ended 31 December 2021, the Group had no significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company does not have any future plans for significant investments or capital assets as at the date of this annual report.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 507 employees (31 December 2020: 480). 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 and a share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and the share award scheme is set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 76 to 79 of this annual report.

FOREIGN EXCHANGE EXPOSURE

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

During the year ended 31 December 2021, the Group recorded an exchange loss of approximately RMB 294,000 (31 December 2020: approximately RMB 169,000). This exchange loss was a result of the appreciation of RMB against the USD and HKD during the year ended 31 December 2021.

The Group currently has no foreign currency hedging policies. The Group will continue to closely monitor foreign exchange risks and will consider hedging significant foreign exchange risks when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB 20.05 cents per share).

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 2021.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are updated as of 20 April 2022.

EXECUTIVE DIRECTOR

Ms. XIN Yingmei (辛穎梅), aged 54, 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 16 June 2020. 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"), Jiangsu Skytech Investment Management Co., Limited ("Jiangsu Skytech Investment"), and a director and general manager of Jiangsu Skytech Industrial Internet Co., Limited. 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 30 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). Ms. Xin is the spouse of Mr. Wang Xiaogang, a member of the senior management of the Group.

Mr. SU Hui (宿輝), aged 42, 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 18 June 2019. 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 39, 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 December 2018, Mr. Ren has been the president of China business in Alibaba Cloud Computing Limited ("Alibaba Cloud"). Prior to the current position 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 55, is the independent non-executive Director. Mr. Chan was appointed as the independent non-executive Director on 1 October 2021. 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. Mr. Chan is currently a director with Credit Suisse AG Hong Kong Branch's Private Banking Asia Pacific. He obtained his bachelor's degree in Business Administration from the National University of Singapore in 1991.

Mr. KWAUK Teh Ming, Walter (郭德明), aged 69, is the independent non-executive Director. Mr. Kwauk was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 16 June 2020. He has over 40 years of experience in accounting. Mr. Kwauk is currently an independent director and the chairman of the audit committee of Alibaba Group Holding Limited (a company listed on the New York Stock Exchange, stock code: BABA, and on the Hong Kong Stock Exchange, stock code: 9988). Mr. Kwauk has been also an independent non-executive director of WuXi Biologics (Cayman) Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 2269) since 17 May 2017 and he has been an independent non-executive director of Hua Medicine (a company listed on the Hong Kong Stock Exchange, stock code: 2552) since 14 September 2018, for both of which Mr. Kwauk is the chairman of their audit committees. Mr. Kwauk served in KPMG from 1977 to 2002, holding a number of senior positions including general manager of KPMG's joint venture accounting firm in Beijing, managing partner in KPMG's Shanghai office and partner in KPMG's Hong Kong office. Mr. Kwauk was a vice president of Motorola Solutions, Inc. and its director of corporate strategic finance and tax, Asia Pacific from January 2003 to June 2012. Mr. Kwauk also served as an independent non-executive director of Alibaba.com Limited from October 2007 to July 2012. Mr. Kwauk is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in science in May 1975 and a licentiate's degree in accounting from the University of British Columbia in May 1977.

Mr. ZONG Ping (宗平), aged 65, 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), a standing member of the Jiangsu Microcomputer Application Association (江蘇省微電腦應用協會) and a member of Information Industry Expert Committee of Jiangsu Province (江蘇信息產業專家委員會). 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. WANG Xiaogang (汪曉剛), aged 59, is the senior vice president of the Company responsible for the overall management and operation of the Group's R&D and technological advancement. Mr. Wang is a co-founder of Nanjing Skytech and its vice president and general manager. He is also a director of Nanjing Skytech and Jiangsu Skytech Investment. He has over 20 years of experience in the computer software and hardware industry and corporate management gained in the Group. Mr. Wang received his bachelor's degree in computer engineering from the People's Liberation Army Information Engineering University (解放軍信息工程大學), formerly known as People's Liberation Army School of Electronic Technology (解放軍電子技術學校), in July 1985, and his master's degree in business administration from Nanyang Technological University, Singapore in July 2011. Mr. Wang also won several awards, such as the "Jiangsu Province Outstanding Technology Technician" (江蘇省優秀科技工作者) award in 2004, "Nanjing Young Industry Technology Leader" (南京市中青年行業技術、學科帶領人) award in 2004 and "Top 10 Nanjing City Leader in Software Industry" (南京市軟件企業十大領軍人物) award in 2008. Mr. Wang is the spouse of Ms. Xin, the chairlady, executive Director and chief executive officer of the Group.

Mr. MA Ming (馬明), aged 52, 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, Quan Shui Tong 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 41, is the co-chief operating officer of the Company responsible for overall operation and new market development. Mr. Jiang has over 10 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 vice chairman of China "Internet + Energy Conservation" Industry Alliance (中國「互聯網+節能」產業聯盟) and a member of Big Data Standard Working Group of the National Information Technology Standardization Committee (全國信息技術標準化技術委員會大數據標準工作組).

Mr. Wu Yan (吳炎), aged 38, is the co-chief operating officer of the Company responsible for existing business research and market planning. Mr. Wu has over 10 years of experience in information technology. He joined the Company as a software R&D engineer in May 2009 and promoted as co-chief operating officer in January 2021. Mr. Wu obtained his senior engineer qualification in 2019. He is currently the chairman of the Green Manufacturing Working Group of China's "Internet + Energy Conservation" Industry Alliance (中國「互聯網+節能」產業聯盟綠色製造工作組). Mr. Wu received his bachelor's degree in e-commerce from China University of Mining and Technology in July 2006 and his master's degree in management from Hohai University in 2009.

Mr. Sun Jiejing (孫潔晶), aged 40, is the chief technology officer of the Company responsible for product research and technical development planning. Mr. Sun has over 17 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 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 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 2021, save for the deviation of the then applicable code provision A.2.1 disclosed as below, the Company has 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 2021 and as at 31 December 2021.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

The then applicable code provision A.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 2021. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2021.

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 2021. 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 80 to 85.

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. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. During the year ended 31 December 2021 and 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)*
Mr. Su Hui

Non-executive Director
Mr. Ren Geng

Independent non-executive Directors
Mr. Kang Choon Kiat (resigned on 1 October 2021)
Mr. Chan Choo Tee (appointed on 1 October 2021)
Mr. Kwauk Teh Ming, Walter
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 16.

Appointment and Re-Election of Directors

All Directors are appointed for a specific term. Ms. Xin Yingmei, the executive Director of the Company is under a service contract with the Company for a term of three years commencing on 9 July 2019, whereas Mr. Su Hui, the executive Director of the Company is under a service contract with the Company for a term of three years commencing on 1 January 2022. The non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 July 2019. 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, whereas Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, the independent non-executive Directors 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, Ms. Xin Yingmei and Mr. Su Hui, the executive Directors, 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. Chan Choo Tee, an independent non-executive Director 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 Ms. Xin Yingmei and Mr. Su Hui as executive Directors, and Mr. Chan Choo Tee as an independent non-executive Director.

The Board and the Nomination Committee recommended their re-appointment. 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 the then applicable code provision A.6.5 of the CG Code throughout the year ended 31 December 2021, 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 2021, 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 CG Code, inside information, Listing Rules and disclosure obligations in Hong Kong, notifiable transactions, connected transactions, 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. Kang Choon Kiat (resigned on 1 October 2021)	I, L, P
Mr. Chan Choo Tee (appointed on 1 October 2021)	L
Mr. Kwauk Teh Ming, Walter	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 A.1.1 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 2021:

	Attendance/Number of Meetings Held					
Name of Directors	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Investment Management Committee	General Meeting
Executive Directors						
Ms. Xin Yingmei	(Chairlady) 4/4	–	(Chairlady) 3/3	–	–	1/1
Mr. Su Hui	4/4	–	–	3/3	–	1/1
Non-executive Director						
Mr. Ren Geng	2/4	–	–	–	–	0/1
Independent Non-executive Directors						
Mr. Kang Choon Kiat[1]	4/4	2/2	–	(Chairman) 3/3	(Chairman) 2/2	0/1
Mr. Chan Choo Tee[2]	–	–	–	–	–	–
Mr. Kwauk Teh Ming, Walter	4/4	(Chairman) 2/2	3/3	3/3	2/2	1/1
Mr. Zong Ping	4/4	2/2	3/3	–	2/2	(Chairman) 1/1

Note:

1. The resignation of Mr. Kang Choon Kiat was effective on 1 October 2021.
2. The appointment of Mr. Chan Choo Tee was effective on 1 October 2021.

BOARD COMMITTEES

The Board has established four committees, namely, the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”), the nomination 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), Mr. Kang Choon Kiat (resigned on 1 October 2021 and replaced by 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 2021 had been reviewed by the Audit Committee.

During the year ended 31 December 2021, the Audit Committee held two meetings for discussion on issues arising from the audit and financial reporting matters.

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 2021 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 and Mr. Zong Ping. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2021, the Nomination Committee held three 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 ("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 Hong Kong Investor Services Ltd., at Level 54, Hopewell Centre, 183 Queen's Road East, 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 2021 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.

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. Kang Choon Kiat (Chairman) (resigned on 1 October 2021 and replaced by Mr. Chan Choo Tee) and Mr. Kwauk Teh Ming, Walter. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2021, the Remuneration Committee held three 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. Kang Choon Kiat (Chairman) (resigned on 1 October 2021 and replaced by Mr. Chan Choo Tee), Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping.

During the year ended 31 December 2021, 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 then applicable code provision D.3.1 of the CG Code in performing its corporate governance functions. During the year ended 31 December 2021, 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 2021. 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 2021, 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 1.42 million and RMB 218,000 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 336,000 and fees payable to Baker Tilly Hong Kong Valuation Advisory Limited in respect of valuation services provided to the Company was approximately RMB 20,000.

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 2021 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 2021, 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 2021, 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 2021, 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.

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 Company's 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 is committed to a 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.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, no amendment had been made to the constitutional documents of the Company.

Environmental, Social and Governance Report

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 Scope

This Report covers the fiscal year from 1 January 2021 to 31 December 2021 (hereinafter referred to as "Year", "Reporting Period" or "2021"), 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

This Report is prepared in accordance with *Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》)* as set forth under Appendix 27 to the Listing Rules (hereinafter referred to as "Guide"). This Report has complied with all the "comply or explain" provisions set out in the Guide and followed the reporting principles of "materiality", "quantitative", "balance" and "consistency".

Materiality: The materiality of the Group's ESG issues is determined by the Board of Directors (hereinafter referred to as "Board"). The process and standards for communication with stakeholders and identification of important topics are disclosed in this Report.

Quantitative: The statistical standards, methods, assumptions and/or calculation tools for the quantitative KPIs in this Report, 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 reader of this Report.

Consistency: Unless specifically stated, the statistical methods used to disclose data in this Report are consistent with those used in previous years.

1.3 Approval of this Report

This Report was approved by the Board on 28 March 2022 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 is a provider of application software products and solutions in China, principally engaged in the development and promotion of software products and solutions including government big data software and related services and low carbon & ecology software and related services. A number of products we developed have been adopted by many provinces and cities across the country.

The Group's awards and honors

Enterprise qualification and name of award-winning project	Certificate issuing department
• Excellent Software Products of 2021	• China Software Industry Association
• Pilot Demonstration Project for the Development of Big Data, Blockchain Industry in 2021	• Industry and Information Technology Department of Jiangsu Provincial
• Nanjing Key Application Scenario Project (Q2 2021) Released	• Nanjing Municipal Bureau of Industry and Information Technology
• Class C Program of Jiangsu Provincial Postdoctoral Research Funding Program in 2021	• Department of Human Resource and Social Security of Jiangsu Province
• Catalog of the 26th Batch of Applied New Technologies and Products Promoted by Jiangsu Province	• (Nanjing Municipal Bureau of Industry and Information Technology) Nanjing Innovative Product Promotion Office
• 2021 Smart Governance Innovation Cases for National Political and Legal Smart Construction	• Legal Daily
• One of the Units of the First Batch in the Digital Village Service Resource Pool of Jiangsu Province	• Office of Jiangsu Cyberspace Affairs Commission and Jiangsu Provincial Department of Agriculture and Rural Areas

Enterprise qualification and name of award-winning project	Certificate issuing department
• The 5th "Special Contribution Award of Jiangsu Service Industry Professionals"	• Department of Human Resource and Social Security of Jiangsu Province Jiangsu Development and Reform Commission
• Excellent Cases of Nanjing Standardization Activities in 2021 - Third Prize	• Nanjing Municipal Standardization Work Liaison Conference Office
• Collection of Digital Rural Service Resource Pool Cases in Jiangsu Province	• Office of Jiangsu Province Cyberspace Affairs Commission
• Evaluation of Core Competitiveness of Software Enterprises in Jiangsu Province in 2021 - Scale Typed	• Jiangsu Province Software Industry Association
• Cases for 2021 Industrial Internet Platform Innovation Pilot Application	• Department of Information Technology Development in the Ministry of Industry and Information Technology
• One of Enterprises to be Included in the Cultivation Library of Nanjing Science and Technology Service Backbone Institutions in 2021	• Nanjing Municipal Science and Technology Bureau
• One of Top 100 Enterprises in Enterprise Comprehensive Strength Evaluation Index in Jiangsu Software and Information Technology Service in 2021	• Jiangsu Province Software Industry Association
• Excellent Enterprise Cases of Digital Transformation in 2021	• National Industrial Information Security Development Research Center

3 MANAGEMENT OF SUSTAINABLE DEVELOPMENT

We are dedicated to sustainable development, and actively develop China's low carbon & ecology software and related service market. At the same time, we have accumulated a lot of experience in product planning, design and development of low carbon information collection, analysis and management. With years of research and exploration, we enjoy a leading edge in the industry. We are dedicated to the monitoring, analysis and management of carbon emissions in regions, key energy consuming industries and enterprises, so as to prepare for the realization of the carbon peaking by 2030 and carbon neutrality by 2060 in China.

Sinosoft Technology, a leading software product and solution provider, has formulated various policies and measures in the field of ESG to promote and manage issues related to social responsibility. For any policies, measures and the sustainable development performance of the Group in all aspects, please refer to the corresponding chapters of this Report.

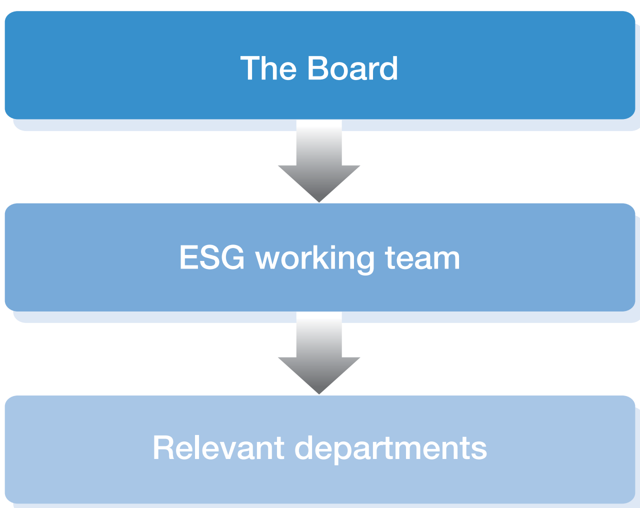
3.1 Statement of the Board of Directors

Sinosoft Technology attaches great importance to the management of ESG, and continuously improves the ESG management structure in accordance with business development and regulatory requirements. In order to further promote the effective implementation of the Group's ESG issues and promote sustainable development, we established an ESG working team directly led by the Board in the Year, so as to more effectively supervise the Group's ESG issues.

The Board bears overall responsibility for the Company's ESG strategy and reporting. The Board has identified and assessed important ESG topics, supervised the management and inspection of these topics, and actively sought opportunities to promote the sustainable development of the Company. The Group has set relevant ESG targets. In the future, we will continue to review ESG-related targets to improve our work for sustainable development.

3.2 Sustainable development structure

We actively integrate the concept of sustainable development into the operation of the Group. During the Year, we established an ESG working team to assist the Board in more effectively supervising the ESG issues of the Group. Our ESG management structure is as follows:



As the highest decision-making level of the Group regarding ESG, the Board is responsible for deliberating and approving the Group's ESG management policies, as well as reviewing the annual ESG report and approving its disclosure.

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, internal control department, zero carbon and industrial internet department. The ESG working team is responsible for formulating ESG management policies and targets and promoting their implementation. In addition, the team will ensure that various ESG issues are properly managed and implemented, and report to the Board on a regular basis.

Our executive level, composed of relevant departments of the Group like administrative management department, human resource department, internal control department, zero carbon and industrial internet department, is the main backbone of the ESG working team. The executive level mainly organizes and executes various ESG work in accordance with the Group's ESG management policies and targets and reports to the Group regularly.

3.3 Communication with stakeholders

Our stakeholders mainly include customers, investors/shareholders, employees, suppliers/business partners, government/regulators, media, community/non-government organizations, industry peers and professional bodies. We firmly believe that the Company's long term interests and sustainable development are based on the support and trust of our stakeholders. The Company will actively maintain a close and harmonious relationship with the stakeholders, listen to their opinions and properly respond to their needs, so as to achieve long term success.

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

<table>
<tr><th>Major stakeholders</th><th>Major communication channels</th></tr>
<tr><td rowspan="6">Customers</td><td>• Customer satisfaction surveys and feedback forms</td></tr>
<tr><td>• Customer consulting group and service center</td></tr>
<tr><td>• Customer relationship manager visit</td></tr>
<tr><td>• Routine operation/communication</td></tr>
<tr><td>• Online service platform</td></tr>
<tr><td>• Phone/Email</td></tr>
<tr><td rowspan="4">Investors/Shareholders</td><td>• Shareholders' annual general meeting</td></tr>
<tr><td>• Interim and annual reports and results announcements</td></tr>
<tr><td>• Enterprise communications such as letters/circularisations to shareholders and notices of meetings</td></tr>
<tr><td>• Investor meetings</td></tr>
<tr><td rowspan="4">Employees</td><td>• Employee opinion survey</td></tr>
<tr><td>• Channels for employees to express their opinions (such as a lunch between staff and management)</td></tr>
<tr><td>• Performance appraisals and interviews</td></tr>
<tr><td>• Seminars/workshops/lectures</td></tr>
<tr><td rowspan="3">Suppliers/Business Partners</td><td>• Supplier management procedure</td></tr>
<tr><td>• Supplier/Contractor Assessment System</td></tr>
<tr><td>• Field research</td></tr>
<tr><td rowspan="4">Government/Regulators</td><td>• Working meeting/reporting</td></tr>
<tr><td>• Policy documents, guidelines and compliance reports</td></tr>
<tr><td>• Seminars</td></tr>
<tr><td>• Field research</td></tr>
<tr><td rowspan="3">Media</td><td>• Press conference/press release</td></tr>
<tr><td>• Senior management interviews</td></tr>
<tr><td>• Results announcements</td></tr>
<tr><td rowspan="3">Community/Non-Governmental Organizations</td><td>• Donations</td></tr>
<tr><td>• Seminars/Workshops/Lectures</td></tr>
<tr><td>• Meetings</td></tr>
</table>

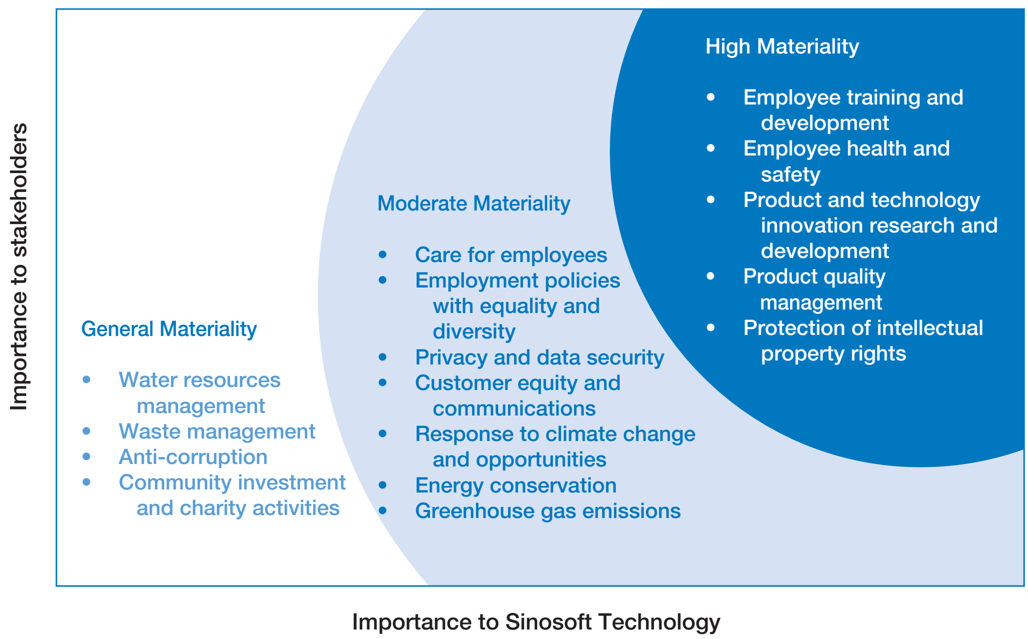
Major stakeholders	Major communication channels
Industry Peers	• Strategic cooperation projects
	• Group notices
	• Communication conferences
Professional Bodies, including: China Software Industry Association, China Electronics Standardization Association, Jiangsu Province Software Industry Association	• Meetings
	• Membership
	• Seminars and forums

3.4 Materiality topics

In order to allocate resources more effectively and promote the smooth development of ESG work, the Board is dedicated to listening to the opinions of various stakeholders and taking their opinions into consideration in the formulation of the Group's sustainable development direction while referring to standards including the Guidelines of the Hong Kong Stock Exchange and the important topic database of the Sustainability Accounting Standards Board (SASB), so as to identify the Group's ESG materiality topics.

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

Materiality Matrix of Sinosoft Technology



4 PROFESSIONAL TEAM

Sinosoft Technology realizes that every employee is the foundation of our business and sustainable development. We are dedicated to creating a work-life balance model for our employees, valuing the well-being of all levels and promoting lasting, inclusive and sustainable economic growth. We always advocate the corporate culture of "work with passion, live with joy" by providing a good working environment to encourage employees to be more engaged in work and achieve a win-win result.

The Group strictly abides by the relevant laws and regulations such as the *Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Regulation on Work-Related Injury Insurances (《工傷保險條例》)*, for the purpose of effectively protecting the legitimate rights and interests of the Group and employees.

4.1 Recruitment

We specially formulated the *"Recruitment Management System" (《招聘管理制度》)* and manage recruitment in a standardized manner to ensure the quality of the Company's recruitment and talents to be efficiently and properly selected. The recruitment process regulates the application of personnel needs, the assessment of the recruitment channels, the interview procedures and the selection process, so as to ensure that the recruitment meets the Company's needs and effectively controls the cost.

The Group adheres to the principles of open recruitment, equal competition, selecting employees appropriate to positions, appointing employees according to their merits and making the best use of talents. The Group will first attempt internal selection and promotion of outstanding employees who can meet the requirements of the recruiting posts, then consider open recruitment. The Group holds "people oriented, pursue excellence" as its core value. Every employee has equal opportunities. We independently set up a recruitment team to be responsible for the selection of candidates. The team members are from the human resource department, the employment department, company leaders or external experts.

In addition, we also formulated the *"Talents Reserve Management System" (《人才儲備管理制度》)*, which is based on the principle of focusing on internal training with external introduction as a supplement. Specifically, starting from the strategic goals of the Company, we analyze the required quality and ability of employees and recognize the post qualification and career development channel according to business needs, and then select, reserve, train and promote talents according to the qualification.

We set up and improved the Company's talent training mechanism. By formulating effective talent training and development plans such as succession and reserve talent selection plans for key positions and on-the-job training, we strengthen the construction of the Company's human resource echelon, improve employees' career planning and ensure the continuous supply and virtuous cycle of human resources, so as to meet the Company's mid-and long-term needs for strategic development, and provide human resources support for the sustainable development of the Group. The Group established a transparent mechanism to appraise employee performance. At the end of each year, the Company will appraise the performance of all employees, and combine with the assessment results and employees' personal desire to adjust their job nature and pay arrangement as appropriate.

The Group is equipped with a post-doctoral research station, which cooperates with a number of domestic mobile stations of "double first-class" universities. It also employs top scholars and experts and entrepreneurs in the industry as cooperative mentors to jointly cultivate high-end talents with knowledge about industry frontiers, global vision and innovative thinking. In order to further promote technological innovation of the Company and better achieve research breakthroughs and achievement transformation in fundamental, strategic and forward-looking fields, the Company publicly recruits post-doctoral researchers at home and abroad all year round. The Company provides post-doctoral researchers with highly competitive compensation and benefits, sufficient research funds, and grants and rewards for high-level achievements.

We firmly prohibit employment of child labor and forced labor. When an employee of the Group is newly hired, HR specialist will check and file the data required by the applicant on the employment notice to prevent the employment of child labor from the source. All overtime must be recognized by the Company to avoid forced labor. At the same time, we retain and require employees to retain the certificate of release/termination of labor relationship issued by their original employer to ensure the authenticity of the data and resume. If violations of laws, forced labor or false information are found, the Company will immediately terminate the employment relationship according to laws.

During the Year, the Group did not have any non-compliance incidents related to labor laws and regulations, nor did it violate any regulations governing child labor and forced labor.

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

Indicator	Unit	2021
Total Number of Employees	Person	507
By Gender		
Female	Person	94
Male	Person	413
By Employment Type		
General Employee	Person	455
Department Head	Person	42
Management	Person	10
By Age		
Below 30	Person	318
31-40	Person	151
41-50	Person	31
51-60	Person	7
By Geographic Region		
North China	Person	8
East China	Person	491
Central China	Person	1
Northwest China	Person	2
Southern China	Person	4
Other region (Hong Kong)	Person	1

4.2 Employment rights

The Group formulated the *"Staff Handbook" (《員工手冊》)* which allows employees to understand the Company's requirements and their own rights with clear regulations. The Handbook clearly stipulates the rights that employees can enjoy, responsibilities and obligations that employees should bear during their tenure. The Handbook illustrates the work and rest time and attendance management system. The Group implements a five-day working system and implements attendance management. Employees must go to and from work on time according to the work and rest time announced by the Company. They are required to timely record the time through the "clock-in" module of the mobile office system. Employees enjoy benefits including five insurances and one fund, free health checks, holidays, paid annual leave and various forms of league construction activities. In addition, the Handbook also sets out the code of conduct for employees, which regulates the behavior of employees to maintain the good reputation of the Group.

The Group has a reward and punishment system. Employees can be awarded by the Company, if they create significant economic benefits, recover major economic losses, obtain major social honors, improve management methods, achieve remarkable results and cultivate and recommend talents for the Company. Employees can put forward opinions and reasonable suggestions in favor of the Company to the top management of the Company at any time. If the reasonable suggestions and opinions actively put forward by employees are adopted, the employees can obtain certain rewards.

In order to fully safeguard the democratic rights and interests of the broad employees, we established a workers' congress under the unified guidance of the Company's trade union. The workers' congress is the basic form for employees to participate in democratic management, democratic supervision and democratic decision-making, and it is the authority for employees to exercise and decide their own legal rights.

4.3 Care for employees

Management Open Day

We specially launched the management open day, so as to enhance the communication, exchange and interaction between the Company's managers and employees, implement the core value of "people oriented, pursue excellence", improve the Group's awareness of "employee participation in management", listen to the voice of employees, solve employee requirements and enhance team cohesion. Every week, the leaders of the Company invited five colleagues to have lunch or dinner to get a deep understanding and provide care. In this way, a communication channel between senior managers and employees was established, so that employees can deeply feel the Company's most practical care and eliminate all of their concerns. An effective platform for employees to communicate with the Company's management was established.

Qing Xiaotian

Qing Xiaotian, an intelligent robot, was a new generation of Internet celebrities within the Company. It relied on the WeChat platform to accumulate positive personal influence to help form the "family culture" of Sinosoft Technology. Qing Xiaotian took the initiative to care for employees, helped them solve problems and eliminated their concerns; employees can also communicate with Qing Xiaotian, and obtain assistance from it when they encounter problems.

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.

Distributing gifts and taking photos on Women's Day

On this day when the "Goddess" was exclusively favored, the department leaders who were always serious, rigorous and meticulous turned into warm "Gods" and presented festival exclusive gifts to each "Goddess" in Sinosoft Technology. The fragrant roses and the words of blessing conveyed the appreciation of Sinosoft Technology for the work of every "Goddess". Every "Goddess" smiled with joy and gratitude for the Company's blessing and appreciation.

Activities on Children's Day

In this joyful festival, in order to thank every Sinosoft Technology's employee who is father or mother for their dedication in their work, the Company invited all "Sinosoft babies" to gather with their parents to celebrate Children's Day. The Company prepared rich activities and gifts for the children.

Series of themed activities to celebrate the 100th anniversary of the founding of CPC

The Company organized all party members, probationary party members and activists to watch the important speech by General Secretary Xi Jinping at the ceremony celebrating the 100th Anniversary of the Founding of The Communist Party of China. In addition, we also organized a series of themed activities, including: knowledge quiz competition and singing contest of red songs.

4.4 Talent Cultivation

Sinosoft Technology formulated the *"Training Management System" (《培訓管理制度》)*, so that the professional quality and skills of the internal employees of the Company can meet the needs of the Company's development strategy and human resources development. The Group should carry out planned and systematic training for employees, in order to achieve the goal of common development between the Company and employees, and realize the training purpose — full-staff training, life-long training.

We take "cultivating first-class teams, designing first-class products, and creating a first-class brand" as our development target. On the basis of considering the Company's sustainable and stable development, we respect employees' individuality and development requirements, and continuously improve their quality and skills through diversified training, so as to provide the Company with all kinds of qualified managers and professionals and ensure the effective implementation of the Company's talent strategy.

The training content of the Group includes knowledge training, skills training and quality training.

Knowledge training	The Group continuously organizes trainings on employees' new knowledge in their own specialty and related specialties, so that they can be equipped with the basic knowledge necessary to complete their own work and the new knowledge required to meet challenges.
Skill training	The Group continuously organizes trainings on job responsibilities, operating procedures and professional skills for on-the-job employees, so that they can freely apply, develop and improve their skills on the basis of fully grasping theories.
Quality training	The Group continuously organizes trainings on psychology, interpersonal relationship, sociology and values to establish a relationship of mutual trust between the Company and its employees, so as to meet the needs of employees for self-realization.

The human resources department of the Company is responsible for the planning, implementation and control of training activities. Other departments are responsible for assisting the human resources department in the implementation and evaluation of training, and they also need to organize internal training within the department.

During the Reporting Period, a total of 449 employees at all levels participated in various forms of internal and external training, including: organizational strategy and corporate culture, basic skills, business knowledge, induction training for new employees, job transfer training, promotion training, special research and development training, special sales training, special management training and other special trainings on the improvement of the comprehensive ability for special positions. The Group took the mixed mode of combining online and offline as the main training form, and made full use of internal experience to enrich the knowledge base, strengthen and improve employees' knowledge and skill level, so as to meet the needs of work.

4.5 Health and safety

We care about the health and safety of our employees, especially in the current pandemic situation, and we are dedicated to providing our employees with a healthy, safe and secure working environment. 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.

Fire Safety

We popularize fire safety knowledge and improve employees' emergency protection and escape capabilities. The administrative and logistics departments regularly organize fire-fighting evacuating exercises.

Related management measures during the pandemic

In and out company control	The Group adopts measures such as body temperature monitoring and registration, and reporting of outsiders until the pandemic is completely eliminated. – The Group uses the "health QR code" management system for in-audit and body temperature registration during the outbreak of pandemic. Employees need to show their health QR code when entering the Company. When leaving the Company during work, they must report to both the "out-audit" system and the attendance system on the DingTalk. – Before entering the Company, visitors, outsourcers, and service personnel still need to provide the Health QR Code of Jiangsu, 14-day travel record and a letter of commitment from the dispatching company. After the manager of the Company reports the relevant information to the department and the administrative service center for approval, he will issue a QR code pass to the visitors who then can enter the Company with the health QR code and conduct activities in the designated area.
Daily report	All employees still need to truthfully fill in the daily itinerary and contact information in the DingTalk form; if there are co-residents who return from other cities and provinces, they also need to report relevant information in time.
Sanitation and disinfection in the office	The Group routinely conducts sanitation and disinfection in meeting rooms, toilets, corridors, stairs and other public areas in the office.

A healthy and positive lifestyle can help improve the overall health and productivity of employees. Therefore, we set up the following measures:

– Items such as mints and small medicine chest (including Radix Isatidis granules) are always ready at the front desk

– Property management personnels to collect express deliveries and carry heavy objects for employees

– Going out on business: masks and shuttle services provided by the Group

– Special supplies provided for women who are during menstruation

– A nursing room specially set for nursing mothers

Nanjing Skytech, a subsidiary of the Group, has obtained the Occupational Health and Safety Assessment Series (GB/T 28001-2011/OHSAS 18001: 2007), which is the recognition of the Group in guaranteeing the occupational health and safety of employees.

5 PRODUCT RESPONSIBILITY

As a pioneer in application software products and solutions in China, Sinosoft Technology has been providing customers with high-quality and reliable products. We specially formulated the "*Quality Handbook" (《質量手冊》)* to standardize the products of the Group, which quoted *Quality Management System - Fundamentals and Vocabulary (《質量管理體系基礎和術語》)* (GB/T19000-2016 idt ISO9000:2015), *Quality Management Systems - Requirements (《質量管理體系要求》)* (GB/T19001-2016 idt ISO9001:2015) and *Environmental Management Systems - Requirements with Guidance* for Use *(《環境管理體系要求及使用指南》)* (GB/T24001-2016 idt ISO14001:2015).

Based on the principle of quality control, the Group follows the relevant national, local and industry laws and regulations, and takes into account the actual situation of the Company to formulate, implement and maintain Sinosoft Technology's quality policy, and actively meet the following requirements:

– Adapt to the Company's purpose and environment (including the nature, scale and environmental impact of its activities, product sales and services) and support its strategic direction

– Provide a framework for setting quality and environmental goals

– Include the commitments to meet applicable requirements

– Include the commitments to protect the environment, such as environmental pollution prevention and other specific commitments related to the environment in which the Company is located

– Include the commitments to fulfill its compliance obligations

– Include the commitments to continuously improve the quality, environment, occupational health and safety management system to improve the performance of quality control and environment

After fully considering the characteristics of the Company and the needs of implementing environmental management, preventing pollution, complying with national laws and regulations, performing social responsibility and sustainable operation of the enterprise, the Company hereby formulated the quality policy as follows:

Technology innovation, product excellence and performance optimization

Our achievements have also been widely recognized by the information technology industry. We are one of the "Key Software Enterprise under the National Plan". Besides, we also obtained Grade 1 accreditation of the Computer Information System Integration Qualification from the Ministry of Industry and Information Technology of China. In October 2012, we obtained the Level 5 certification of CMMI for the first time, which is the recognition of the Group in planning, engineering, software development, management and maintenance procedures, and we have remained at a level that meets the certification requirements to date.

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

5.1 Risk management

In order to promote the integration of business management with international standards, improve the management of the Group, improve service quality, enhance the satisfaction of relevant parties, establish a good image, adapt to the trend of green movement and maximize the quality and benefits of the Company, we formulated *"Risk Assessment System" (《風險評估制度》)* and *"Internal Audit System" (《內部審計制度》)*. The Group integrated the requirements of *Quality Management Systems - Requirements (《質量管理體系 — 要求》)* (ISO9001:2015) and *Environmental Management Systems - Requirements with Guidance for Use (《環境管理體系 — 要求及使用指南》)* (ISO14001:2015), and prepared *"Quality Handbook" (《質量手冊》)*.

While planning quality, the Company took into account internal and external factors, the requirements of related parties, and information on internal and external environmental elements. We identified the hazard sources, assessed risks and determined and filed control measures in the process of all activities and services of the Group, so that the hazard sources and risks with significant impact in the process of all activities and services can be effectively controlled and updated in time. The administration department is responsible for summarizing the identification and registration of hazard sources and organizing risk assessment and determining control measures, so as to identify risks. The safety affairs representatives are involved in the identification and registration of hazard sources, risk assessment and the determination of control measures.

The Group prepared and implemented the *"Control Procedures for Non-conforming Outputs" (《不合格輸出的控制程序》)* to identify and control non-conforming outputs, prevent their unintended use or delivery, and stipulate the relevant responsibilities and authorities for the control and disposal of non-conforming outputs. We will take appropriate measures based on the nature of the non-conformity and its impact on service compliance. We will deal with non-conforming outputs through different channels, such as: rectifying, that is, stopping and rectifying non-conforming services; taking measures to change the originally expected use requirements with the customer's consent; obtaining authorization to receive concessions.

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

5.2 Customer oriented

Sinosoft Technology adheres to "customer-oriented" marketing concept, emphasizing the awareness of customer demand and service orientation. The Group's customer service team consists of approximately 72 members. We communicate with customers through various channels such as customer satisfaction surveys and opinion forms, customer consultation groups and service centers, customer relationship manager visits, daily operations and communication, online service platforms, telephone and email. In addition, the Group specially established a customer relationship management system to allow customers to give feedback, so as to respond to customers' problems, needs and complaints as soon as possible. The Group also regularly makes satisfaction return visits to customers through the customer relationship management system, so as to ensure that the Group can meet the requirements of customers and maintain a good customer relationship. During the Reporting Period, the score of customer satisfaction survey results was as high as 99.98%.

In addition, we put customer first, keeping in close contact with customers throughout the service process and patiently understand their actual needs. Our sales center actively communicates with customers, including customer feedback and all inquiries. We insist on maintaining the quality of products and services, and control the process to ensure that products and services are suitable for the requirements of potential customers.

The Group also formulated the *"Customer Documents Management Measures" (《客戶文檔管理辦法》)* to provide clear guidelines for various departments to manage customer information and related follow-up work. The *"Management Measures for the Appraisal of Employee Performance" (《員工績效考核管理辦法》)* also provides clear guidelines and standards to appraise the attitude, response time, and technical level of service engineers, so as to improve customer satisfaction and enhance the competitiveness of the Company.

The Group obtained the Maturity Level II certification of the *Information Technology Service Standards (ITSS) (《信息技術服務運行維護標準(ITSS)》)*, which means that we have been recognized for our long-established good reputation, strict quality control and high-quality customer service.

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

5.3 Supplier management

As a software developer, suppliers are the main part of the Group's quality control. Most of the Group's suppliers are domestic middleware sales enterprises and suppliers of information technology system parts, which bear relatively low environmental and social risks. We formulated the *"Procurement Management Control Procedures"*《採購管理控制程序》and *"Supplier Management Rules"*《供應商管理細則》to control the procurement process and suppliers, for the purpose of ensuring that the purchased materials meet the specified procurement requirements, and at the same time systematically assessing and monitoring the performance of suppliers to optimize supplier management. Through market research, we get an insight of the details like the supplier's products, quality, enterprise information and after-sales service, after which, we initially identify suppliers with reliable quality and reasonable prices as candidates and keep records. The Group conducts a general assessment on items such as quality, delivery time, price, and service every year. If the supplier fails to meet the standards within three months, it will be eliminated. Those involving serious circumstances will be blacklisted. We hope to protect the interests of our customers and at the same time ensure product quality.

On the social level, when selecting suppliers, the Group will give priority to suppliers who comply with national regulations, respect human rights and are dedicated to providing a safe working environment. In terms of environmental protection, we advocate to choose green suppliers and try our best to take the factors of environmental protection into consideration when purchasing, such as whether the materials have high recycling and energy efficiency or comply with relevant environmental protection laws and regulations. The Group's purchasing staff should conduct on-site investigations when necessary. We hope that the suppliers we cooperate with can comply with the requirements of corporate social responsibility and environmental protection and share the same ESG philosophy as the Group. In the future, we will consider asking suppliers to sign a letter of commitment to strengthen relevant implementation and monitoring methods.

During the Year, the Group had a total of approximately 268 suppliers. The following is the regional distribution of suppliers:

Region	Number
Jiangsu Province	168
Beijing	23
Shanghai	17
Guangdong Province	14
Gansu Province	7
Sichuan Province	5
Shandong Province	5
Zhejiang Province	5
Hubei Province	4
Inner Mongolia	3
Fujian Province	3
Yunnan Province	2
Anhui Province	2
Hainan Province	2
Tianjin	1
Guangxi Province	1
Xinjiang	1
Hebei Province	1
Shenzhen	1
Hunan Province	1
Tibet	1
Qinghai Province	1

5.4 Intellectual property protection

The Group strictly abides by relevant regulations such as the *Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》), Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》)* and *Intellectual Property Law of the People's Republic of China (《中華人民共和國知識產權法》)*.

In order to strengthen the protection of the Company's intellectual property, we formulated the *Compilation of "Intellectual Property Management System" (《知識產權管理制度彙編》)*, so as to standardize intellectual property management, encourage employees to invent and create and promote the popularization and application of scientific and technological achievements. We strictly abide by relevant laws and regulations including the *Patent Law of the People's Republic of China (《中華人民共和國專利法》), Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》)* and *Law of the People's Republic of China Against Unfair Competition (《中華人民共和國反不正當競爭法》)*.

The Company set up the intellectual property management department, which is responsible for the management of intellectual property. We have intellectual property specialists who are responsible for the relevant management and specific work of intellectual property.

Those who violate this system by plagiarizing, stealing, tampering, illegally occupying or infringing the intellectual property of the Group in other ways, or who cause the Group's intellectual property to be infringed, shall be investigated for economic responsibility by the intellectual property management department according to regulations. If the violation constitutes a crime, the Group will report it to the judicial organ in immediately.

The Group applies for the *Software Copyright (《軟件產品著作權》)* for the products it develops, and protects the intellectual property of the products through the *Copyright Law of the People's Republic of China (《中華人民共和國著作權法》)*. During the Reporting Period, the Group obtained *Software Copyright* for 24 government big data related and 21 low carbon & ecology related new products.

5.5 Information security protection

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" (《信息安全管理策略》)* 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.

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. They 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 hereby formulated the *"Control Procedure for Corrective and Preventive Measures" (《糾正預防措施控制程序》)* 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.

6 GREEN OPERATIONS

The Group mainly conducts business operations in offices. Despite the slight impact on the environment and natural resources, we are still dedicated to building a green environment and actively integrating green elements into relevant management as a responsible technological institution. The Group strictly abides by the relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)* and the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)*. During the Year, the Group did not have any non-compliance incidents related to environmental laws and regulations. The impacts of the Group on the environment came from electricity consumption, water for domestic use, use of office materials, waste and use of the Group's vehicles. The Group has implemented a series of measures to reduce greenhouse gas emissions, water pollution, generation of hazardous waste and non-hazardous waste.

6.1 Energy Consumption

The Group actively promotes green operation and regulates energy use. We advocate that employees turn off the lights when they leave the office and use daylight as much as possible; keep 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. During the Year, the Group's total electricity consumption was 958,181.79 kWh, with a power consumption intensity of 63.88 kWh/m^2

In addition, we avoid installing air conditioners in places where the sun is directly exposed, and regularly clean the filters and install sealing strips on doors and windows to 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. We allow our employees to wear casual clothing to work, so as to reduce the use of air conditioners. During the Reporting Period, we set a preliminary directional target in terms of energy use efficiency, and will maintain or reduce power consumption in the future with a similar level of operation[1].

6.2 Water resources management

Though our business does not consume large amounts of water, we continue to conserve water and encourage our employees to make some contribution to the environment. During the Year, our tap water comes from the municipal water supply, and there is no problem in adopting water suitable for use. The total water consumption of the Group was 26,711.00 tonnes, and the total water consumption intensity was 54.40 tonne/employee.

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[1] During the Year, our business was being optimized and adjusted. Therefore, the current environmental data does not reflect the overall operation of the Group. We will set an appropriate base year in the future depending on the business situation.

In the office routine, we put up reminder labels of water saving in each restroom and reduce the water pressure to the lowest possible level. We regularly conduct leak tests on concealed water pipes and check full water tanks, regularly check the readings of water meters and whether there are concealed water leaks, so as to avoid waste. During the Reporting Period, we set a preliminary directional target in terms of water efficiency, and we will maintain or reduce water consumption in the future while maintaining a similar level of operation[1].

6.3 Air emissions management

The Group is also dedicated to promoting employees' low-carbon travel, including encouraging them to take the subway to go to and from work and reducing their use of private cars. There is a regular shuttle bus during office hours to pick up employees who need to go out to work. For employees who need to travel outside the city or the province for business, the Group encourages them to take as few planes as possible, and instead take high-speed rail, which emits only about one-fifth of the carbon emissions per passenger per kilometer by planes, so as to reduce their carbon footprints in an all-round way. We also maintain the company fleet and conduct regular inspections to reduce gas emissions. During the Reporting Period, we set preliminary directional targets in terms of greenhouse gas emissions, and we will maintain or reduce greenhouse gas emissions in the future while maintaining a similar level of operation[1].

The Group conduct 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[2] (Scope 1)	tonne of CO_2e	93.46
Indirect greenhouse gas emissions[3] (Scope 2)	tonne of CO_2e	584.59
Total greenhouse gas emissions (Scope 1 and 2)	tonne of CO_2e	678.05
Greenhouse gas emission intensity (Scope 1 and 2)	tonne of CO_2e/employee	1.38
Greenhouse gas emission intensity (Scope 1 and 2)	tonne of CO_2e/m^2	0.05

[2] Include GHG emissions directly generated by businesses owned or controlled by the Company
[3] Include GHG emissions caused indirectly by energy consumption (purchased or acquired) like electricity, heat, refrigeration and steam in the Company

6.4 Waste management

The Group promotes waste reduction at the source, and encourages employees to properly classify, recycle and reuse. We reduce paper consumption based on the principle of reduction, reuse and recycling. The non-hazardous waste in our operations is mainly office paper. The Group takes measures to save paper, such as encouraging employees to reuse or use paper on both sides as much as possible to minimize paper consumption. Envelopes are also reused for internal mails. The Group's office waste is regularly and uniformly recycled by the property management company. Then the waste enters the recycling system after uniform destruction in designated units and places, and is disposed of in accordance with relevant local environmental requirements. During the Reporting Period, we set preliminary directional goals for waste management, and we will maintain or reduce waste generation in the future while maintaining a similar level of operation[1]. During the Reporting Period, the amount of non-hazardous waste generated by the Group was 17,109.75 kg; there were a total of 30 solid waste computers that were recycled, and hazardous wastes including a total of 20 ink cartridges and waste toner boxes.

6.5 Addressing Climate Change

Sinosoft Technology does its best to improve climate change management and cooperate with the country's important policies. One of the major businesses of the Group is low carbon & ecology software and related services. The products effectively assist governments and enterprises at different levels to monitor and analyze their carbon emissions, so as to implement optimization measures, reduce carbon emissions and combat climate change. The Group also uses relevant expertise to monitor its own energy consumption and calculate carbon emissions equivalents.

The Group is aware of the potential impact of climate change on our services and operations, which could affect financial results. Therefore, in order to respond to climate change in advance, we initially identified the risks and opportunities related to climate change and formulated corresponding countermeasures.

In the face of physical climate risks such as floods, typhoons, abnormal rainfall patterns and extremely high temperatures, the Group may face problems such as temporary closure of office, casualties of employees and unstable network services. We established measures to ensure the safety of our employees, regularly backed up important files, and strictly complied with the relevant guidelines for extreme weather launched by the government.

The Group will continue to identify climate risks and opportunities in the future, take climate change as an important topic, and include it in the ESG report to focus on responding to and monitoring the risks arising from environmental regulatory developments and assessments that may affect the businesses.

7 ANTI-CORRUPTION

Sinosoft Technology attaches great importance to the construction of integrity, actively establishes a supervision mechanism, pays attention to the cultivation of integrity and creates a healthy management model. We set up the *"Anti-Fraud Management Regulations"*《反舞弊工作管理條例》, so as to prevent fraud, strengthen corporate governance and internal control, reduce corporate risks, standardize businesses, safeguard the legitimate rights and interests of the Company and shareholders, and ensure the realization of the Company's business goals and sustainable, stable and healthy development.

The purpose of the Group is to regulate the professional behavior of the Company's directors, supervisors, senior management and all employees, strictly abide by relevant laws and regulations, professional ethics and company rules and regulations, establish a good atmosphere of integrity and diligence, and prevent the damage to the interests of the Company and shareholders. We set up an anti-fraud permanent department, to do cross-departmental and supplementary work for anti-fraud. The Group's Audit Committee is also responsible for supervising the Group's anti-fraud policy and regularly discussing fraud risk assessments with external and internal auditors.

The Regulations mainly clarify the purpose of anti-fraud, the concept and form of fraud. Fraud includes the use of deception and other illegal means by personnel inside and outside the Company to seek illegitimate personal interests and damage the legitimate economic interests of the Company; it also includes the behavior of seeking improper economic interests of the Company and bringing illegitimate interests to individuals at the same time. For employees who commit fraudulent acts, the anti-fraud permanent department recommends the management to impose corresponding internal economic and administrative disciplinary punishments in accordance with relevant regulations; if the employees violate the criminal law, they shall be transferred to the judicial organ in accordance with the laws.

In addition, our "*Staff Handbook*" (《員工手冊》) also contains contents related to anti-corruption, so as to ensure that employees can understand laws and regulations, codes of conduct and concepts related to anti-corruption. Employees can report to the Audit Committee by ordinary mail in a confidential and anonymous address.

During the Reporting Period, the Group uploaded the above training data on the Company's internal network, and directors and employees reviewed the relevant content. During the Year, we did not receive or discover any corruption-related reports or incidents.

8 SOCIAL RESPONSIBILITY

As a corporate citizen, Sinosoft Technology actively fulfills its social responsibilities. We not only participate in community construction through traditional channels such as charitable activities and volunteer activities, but also take advantage of our own industry characteristics to fulfill corporate social responsibility and to continuously exert a positive impact on the community.

Affected by the pandemic, the Group tries its best to avoid large-scale external community activities. We donated a batch of old computers with the total value approximately to RMB 14,100 to Gaochun Yaxi Mancheng Primary School, which can promote education while we recycle existing resources. In the future, the Group will continue to fulfill its corporate social responsibility, invest resources in public welfare, and give back to the society through multiple channels.

APPENDIX 1: SUSTAINABILITY DATA STATEMENT

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

Environmental Area	Unit	2021
Air Emissions [4,5]		
Nitrogen Oxides	kg	464.28
Sulphur Oxides	kg	0.41
Particulate Matter	kg	42.31
Greenhouse Gas (GHG) Emissions [4]		
Direct GHG Emissions[2] (Scope 1)	tonne of CO_2e	93.46
Indirect GHG Emissions[3] (Scope 2)	tonne of CO_2e	584.59
Total GHG Emissions (Scope 1 and 2)	tonne of CO_2e	678.05
GHG Emissions Intensity (Scope 1 and 2)	tonne of CO_2e/employee	1.38
GHG Emissions Intensity (Scope 1 and 2)	tonne of CO_2e/m^2	0.05
Energy Consumption		
Total Energy Consumption	kWh	1,316,958.74
Energy Consumption Intensity	kWh/m^2	87.80
Total Electricity Consumption	kWh	958,181.79
Electricity Consumption Intensity	kWh/m^2	63.88
Diesel Consumption	L	967.62
Petrol Consumption	L	26,578.63
Liquefied Natural Gas Consumption	kg	6,896.00
Water Consumption		
Total Water Consumption	tonne	26,711.00
Water Consumption Intensity	tonne/employee	54.40
Paper Consumption		
Paper Consumption	kg	1,485.39
Paper Consumption Intensity	kg/employee	3.03
Waste		
Non-hazardous Waste Produced	kg	17,109.75
Non-hazardous Waste Production per Capita	kg/employee	34.85
Waste Computer Production	Unit	30
Waste Computer Recycled	Unit	30
Hazardous Waste Produced (Waste Ink Cartridge and Waste Toner Cartridge)	Piece	20

[4] We calculate the emissions of air pollutants and greenhouse gas emissions of the Group with reference to "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

[5] Air emissions generate from vehicles owned by the Group.

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

Social Area	Unit	2021
Employment Management		
Total Number of Employees	Person	507
By Gender		
Female	Person	94
Male	Person	413
By Employment Type		
General Employee	Person	455
Department Head	Person	42
Management	Person	10
By Age		
Below 30	Person	318
31 to 40	Person	151
41 to 50	Person	31
51 to 60	Person	7
By Geographical Region		
North China	Person	8
East China	Person	491
Central China	Person	1
Northwest China	Person	2
Southern China	Person	4
Other (Hong Kong)	Person	1
Employee Turnover Rate[6]		
Total Employee Turnover Rate	%	18.93
Turnover Rate By Gender		
Female	%	15.96
Male	%	19.61
Turnover Rate By Age		
Below 30	%	21.07
31 to 40	%	17.88
41 to 50	%	6.45
51 to 60	%	0.00
Turnover Rate By Geographical Region		
North China	%	0.00
East China	%	19.35
Central China	%	0.00
Northwest China	%	50.00
Southern China	%	0.00
Other (Hong Kong)	%	0.00

[6] 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	2021
Employee Training		
Performance of Employee Training by Gender[7,8]		
Percentage of Female Employees Trained	%	12.69
Percentage of Male Employees Trained	%	87.31
Average Training Hours of Female Employees	Hour	4.73
Average Training Hours of Male Employees	Hour	0.95
Performance of Employee Training by Employment Type		
Percentage of General Employee Trained	%	91.76
Percentage of Department Head Trained	%	7.13
Percentage of Management Trained	%	1.11
Average Training Hours of General Employee	Hour	0.86
Average Training Hours of Department Head	Hour	0.50
Average Training Hours of Management	Hour	3.20
Occupational Health and Safety		
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
Number of Work-related Fatalities in 2019	Person	0
Rate of Work-related Fatalities in 2019	%	0
Day(s) lost due to Work-related Injuries	Day	0

[7] Percentage of Employees Trained by Relevant Category= Number of Employees Trained in the Relevant Category /Number of Employees Trained x 100

[8] 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 Green Operations 6.3 Air 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 Air 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.	6.4 Waste Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6 Green Operations 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.	6.1 Energy Consumption
	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.	6.2 Water Resources Management
	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 Green Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6 Green Operations
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 Addressing Climate Change
	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 Addressing Climate Change
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 Professional Team 4.1 Recruitment 4.2 Employment rights
	B1.1	Total workforce by gender, employment type, age group and geographical region.	4 Professional Team 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 Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.5 Health and Safety Appendix 1: Sustainability Data Statement
	B2.2	Lost days due to work injury.	4.5 Health and Safety Appendix 1: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.5 Health and Safety

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 Talent Cultivation
	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 Recruitment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Recruitment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Recruitment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	5.3 Supplier Management
	B5.1	Number of suppliers by geographical region	5.3 Supplier 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.	5.3 Supplier Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.3 Supplier Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.3 Supplier 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.	5.1 Risk Management
	B6.2	Number of products and service related complaints received and how they are dealt with.	5.2 Customer Oriented
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	5.1 Risk Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.5 Information Security Protection
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.	7 Anti-corruption
	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.	7 Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	7 Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff	7 Anti-corruption
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.	8 Social Responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8 Social Responsibility
	B8.2	Resources contributed to the focus area.	8 Social Responsibility

Directors' Report

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2021.

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 40 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 page 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 "Green Operation" on pages 54 to 56 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 2021, 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 and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme are set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 76 to 79 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 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") 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 2021 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 86 to 172.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB 20.05 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 31 May 2022.

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 2021.

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 2021, the Company's reserve available for distribution to owners was approximately RMB 175.3 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 2021, the Group had no monetary charitable donations, but donated a batch of old computers with the total value approximate to RMB 14,100 to a primary school.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2021, the 5 largest customers of the Group accounted for 20% of the total revenue, while the largest customer accounted for 5% of the total revenue.

For the year ended 31 December 2021, the 5 largest suppliers of the Group accounted for 36% of the total purchases, while the largest supplier accounted for 10% of the total purchases.

At all time during the year ended 31 December 2021 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 2021 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. Kang Choon Kiat (resigned on 1 October 2021)
Mr. Chan Choo Tee (appointed on 1 October 2021)
Mr. Kwauk Teh Ming, Walter
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, Ms. Xin Yingmei and Mr. Su Hui, the executive Directors, 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. Chan Choo Tee, an independent non-executive Director will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

CHANGE IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Chan Choo Tee, an independent non-executive Director of the Company has been appointed as a director of Credit Suisse AG Hong Kong Branch's Private Banking Asia Pacific with effect from 19 April 2022.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of approval of the 2021 annual report of the Company.

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 16 of this annual report.

DIRECTORS' SERVICE CONTRACT

The executive Directors have respectively entered into a service contract commencing on 9 July 2019 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 2019 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 and 31 October 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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%
FIL Limited	Interest of a controlled corporation	72,148,400(L) (Note 7)	5.90%
Pandanus Associates Inc.	Interest of a controlled corporation	72,148,400(L) (Note 7)	5.90%
Pandanus Partners L.P.	Interest of a controlled corporation	72,148,400(L) (Note 7)	5.90%

Notes:

(1) As at 31 December 2021, 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.

(7) Pandanus Partners L.P., a wholly-owned subsidiary of Pandanus Associates Inc., is deemed to be interested in 72,148,400 shares of the Company through its direct interest in FIL Limited.

Save as disclosed above, as at 31 December 2021, 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 2021 or at any time during the year ended 31 December 2021 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 2021 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 71 of this annual report and "Share Option Scheme" and "Share Award Scheme" on pages 76 to 79 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 2021, 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 2021, 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 2021.

REMUNERATION OF DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established 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 and a share award scheme to motivate non-executive Directors. Please refer to pages 76 to 79 of this report for details of the share option scheme and share award 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 11 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 2021 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. Kang Choon Kiat (resigned on 1 October 2021 and replaced by Mr. Chan Choo Tee), Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter 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 2021 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 2021.

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 2021.

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 shares in issue.

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:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant under the Share Option Scheme, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant under the Share Option Scheme and his/her associates (as defined in the Listing Rules) abstaining from voting.

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

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must 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 2021, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme. The remaining life of the Share Option Scheme is one year and 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.

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 2021.

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 2021, 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, 28 March 2022

Independent Auditor's Report

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 86 to 172, which comprise the consolidated statement of financial position as at 31 December 2021, 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 and other explanatory information.

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 2021, and 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
Revenue recognition Refer to Note 3 (significant accounting policies) and Note 5 (revenue and segmental information) to the consolidated financial statements.	
The Group recognises revenue when the control over a product or service is transferred to the customers at the amount of promised consideration to which the Group is expected to be entitled. We focused on this area due to significant volume and monetary amount of revenue transactions generated from various government units and customers, and thus significant time and resources were devoted in this area, in particular relating to the occurrence, accuracy and proper recording period of such transactions.	Our audit procedures included: — understanding and assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with IFRSs; — understand and evaluating the Group's key internal control over sales process, testing on a sample basis on the effectiveness of the Group's internal controls and the correct timing of the Group's recognition of revenue in accordance with contract terms; — testing the sales transactions, on a sample basis, by comparing against sales contracts, delivery documents, invoices and other supporting documents where relevant; — assessing the results of the cut-off testing on sales transactions recorded immediately before and after the year-end to ensure that revenue was recognised in the correct accounting period and assessing the accuracy of the recorded sales transactions; and — testing of samples of revenue related journal entries, which were selected based on risk-based criteria and by inquiring management of their nature and validating the samples selected to supporting documents. We found the revenue recorded to be supported by the available audit 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 and other receivables) and Note 36 (capital risk management and financial instruments) to the consolidated financial statements for the related disclosures.

As at 31 December 2021, gross trade receivables of the Group amounted to approximately RMB 1,326 million (2020: RMB 1,352 million), which accounted for approximately 59% (2020: 53%) of the Group's total assets. The loss allowances for trade receivables amounted to RMB 32 million (2020: RMB 19 million), all of which was attributable to customers located in the People's Republic of China ("PRC").

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 and 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 size of the receivables and the corresponding uncertainty inherent in such estimates and judgements.

Our audit procedures included:

— understanding and validating the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on ECL 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 document 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 expert to evaluate and assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, 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 assessing whether there was an indication of management bias when recognising loss allowances; and

— inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at 31 December 2021, on a sample basis.

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

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the consolidated financial statements and our auditor's report thereon (the "other information").

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 the 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 are responsible for the preparation of 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. This report is made 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 this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, Foyer, 625 King's Road, North Point
Hong Kong, 28 March 2022

Choi Kwong Yu
Practicing certificate number P05071

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTE	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenue	5	586,413	533,809
Value-added tax refund	6	2	3,510
Cost of sales		(398,576)	(294,538)
Research and development costs		(81,269)	(59,727)
Other income and gains	7	16,079	420,144
Other expenses and losses	8	(13,503)	(7,278)
Distribution and selling expenses		(24,537)	(28,222)
General and administrative expenses		(64,909)	(38,876)
Finance costs	9	(2,089)	(1,852)
Profit before taxation	10	17,611	526,970
Income tax expense	12	(2,598)	(78,171)
Profit and total comprehensive income for the year from continuing operations		15,013	448,799
Discontinued operation			
Profit and total comprehensive income for the year from discontinued operation	13	—	64,555
Profit and total comprehensive income for the year		15,013	513,354
Profit and total comprehensive income for the year attributable to owners of the Company:			
— from continuing operations		15,806	449,474
— from discontinued operation		—	66,466
		15,806	515,940
Profit and total comprehensive income for the year attributable to non-controlling interests:			
— from continuing operations		(793)	(675)
— from discontinued operation		—	(1,911)
		(793)	(2,586)
		15,013	513,354
		2021 RMB cents	2020 RMB cents
Earnings per share	14		
From continuing and discontinued operations			
— Basic and diluted		1.29	42.21
From continuing operations			
— Basic and diluted		1.29	36.77

Consolidated Statement of Financial Position

At 31 December 2021

	NOTE	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	83,923	87,918
Right-of-use assets	17	13,228	13,619
Intangible assets	18	343,576	308,922
Restricted bank deposits	19	28,160	28,160
Pledged bank deposits	20	491	—
Time deposits with original maturities over three months	21	70,000	—
Financial assets at fair value through profit or loss	22	—	—
		539,378	438,619
CURRENT ASSETS			
Inventories	23	968	621
Trade and other receivables	24	1,491,309	1,441,045
Pledged bank deposits	20	2,019	1,229
Bank balances and cash	25	201,399	694,258
		1,695,695	2,137,153
CURRENT LIABILITIES			
Trade and bills payables	26	84,020	94,916
Other payables	27	92,524	105,396
Contract liabilities	28	16,372	3,050
Borrowings	29	20,000	80,000
Tax liabilities		883	57,241
		213,799	340,603
NET CURRENT ASSETS		1,481,896	1,796,550
TOTAL ASSETS LESS CURRENT LIABILITIES		2,021,274	2,235,169
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	77,207	87,720
NET ASSETS		1,944,067	2,147,449
CAPITAL AND RESERVES			
Share capital	31	9,876	9,876
Reserves	32	1,937,058	2,139,647
Equity attributable to owners of the Company		1,946,934	2,149,523
Non-controlling interests		(2,867)	(2,074)
TOTAL EQUITY		1,944,067	2,147,449

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

At 31 December 2021

	Equity attributable to owners of the Company								
	Share capital	PRC statutory reserve	Capital reserve	Share premium	Share held under share award scheme	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	9,876	138,664	6,488	257,539	(38,717)	1,259,733	1,633,583	7,809	1,641,392
Profit and total comprehensive income for the year	–	–	–	–	–	515,940	515,940	(2,586)	513,354
Disposal of discontinued operation (Note 41)	–	(5,001)	(3,861)	–	–	8,862	–	(7,297)	(7,297)
At 31 December 2020 and 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 15)	–	–	–	–	–	(245,088)	(245,088)	–	(245,088)
Share award granted (Note 34(b))	–	–	–	–	38,717	(12,024)	26,693	–	26,693
At 31 December 2021	9,876	133,663	2,627	257,539	–	1,543,229	1,946,934	(2,867)	1,944,067

Consolidated Statement OF Cash Flows

For the year ended 31 December 2021

	NOTE	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation from continuing operations		17,611	526,970
Profit before taxation from discontinued operation	13	—	71,185
Adjustments for:			
Depreciation of property, plant and equipment		7,058	7,470
Depreciation of right-of-use assets		391	592
Amortisation of intangible assets		176,979	170,345
Impairment of trade receivables	8	12,826	6,999
Loss on disposal of property, plant and equipment	8	5	21
Gain on disposal of discontinued operation	7	—	(409,332)
Share-based payment expense	34(b)	26,693	—
Finance costs	9	2,089	1,854
Interest income	7	(9,860)	(3,526)
Net foreign exchange losses	8	294	169
Operating cash flows before movements in working capital		234,086	**372,747**
(Increase)/decrease in inventories		(347)	397
Decrease in trade and other receivables		(63,090)	(92,325)
Decrease in trade and bills payables		(10,896)	(6,752)
(Decrease)/increase in other payables		(12,872)	3,747
Increase/(decrease) in contract liabilities		13,322	(4,061)
Cash generated from operations		160,203	273,753
Income tax paid		(69,469)	(27,171)
Net cash from operating activities		90,734	246,582
Investing activities			
Net cash inflow arising on disposal of discontinued operation	41	—	451,289
Interest received		9,860	3,526
Purchase of property, plant and equipment		(3,068)	(1,613)
Proceeds from disposal of property, plant and equipment		—	7
Payment for the cost incurred of intangible assets		(211,633)	(214,479)
(Placement)/proceeds of pledged bank deposits		(1,281)	655
Placement of time deposits with original maturities over three months		(70,000)	—
Net cash (used in)/from investing activities		(276,122)	239,385

	NOTE	2021 RMB'000	2020 RMB'000
Financing activities			
Dividends paid	15	(245,088)	—
Repayment of borrowings	37	(80,000)	(54,000)
New bank loans raised	37	20,000	124,000
Capital element of lease rentals paid	37	—	(263)
Interest element of lease rentals paid	37	—	(7)
Interest paid	37	(2,089)	(1,847)
Net cash (used in)/from financing activities		(307,177)	67,883
Net (decrease)/increase in cash and cash equivalents		(492,565)	553,850
Cash and cash equivalents at beginning of the year		694,258	140,577
Effect of foreign exchange rate changes		(294)	(169)
Cash and cash equivalents at end of the year, Representing bank balances and cash		201,399	694,258

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 NEW AND 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 annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

2.1 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	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 — 2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021.

[2] Effective for annual periods beginning on or after 1 January 2022.

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

[4] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all above 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

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 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.

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".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is 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.

The principal accounting policies are set out below.

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

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*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and it calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment losses (see the accounting policies in respect of impairment on non-current assets below), if any.

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.

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

Revenue from contracts with customers – *continued*

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.

Revenue from sales of goods in the normal course of business are recognised when control of the goods has been transferred, being at the point in time when the goods have been delivered and title have passed to the customer.

Revenue from services including after sales services are recognised over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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.

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, 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.

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.

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

Leases – *continued*

The Group as a lessee – continued

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.

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.

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

Leases – *continued*

The Group as a lessee – continued

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.

The lease payments include:

— fixed payments (including in-substance fixed payments) less any lease incentives receivable;

— amounts expected to be payable by the Group under residual value guarantees; 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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange 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 re-translated.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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".

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.

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. A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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

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.

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 accumulated 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 accumulated profits.

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

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 profit before taxation 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.

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

Current and deferred tax is recognised in profit or loss.

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

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 (see the accounting policies in respect of impairment on non-current assets below), 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.

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 (see the accounting policies in respect of impairment on non-current assets below). 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.

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

Intangible assets – *continued*

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 asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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.

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

Impairment on non-current assets

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.

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 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.

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

Impairment on non-current assets – *continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

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.

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.

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

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 receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15").

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.

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.

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

Financial instruments – *continued*

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

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 fair value through profit or loss ("FVTPL"), except that at the date of 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.

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.

(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.

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

Financial instruments – *continued*

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(ii) 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, if any, on the financial asset and is included in the “other income and gains” line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables, pledged bank deposits and bank balances) 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. Assessment 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, 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.

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

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

(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;
- 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 2 years 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.

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

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

(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).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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 five 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*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – 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, adjusted for 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*

Financial instruments – *continued*

Financial assets – continued

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.

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.

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

Financial instruments – *continued*

Financial assets – continued

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including bank and other 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 of 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*

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 associated 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*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following 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. In addition, credit impaired trade receivables are assessed for ECL individually.

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 36.

Useful lives and impairment 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.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The management is satisfied that no impairment loss is required to recognise during the year. As at 31 December 2021, the carrying amount of intangible assets are RMB 343,576,000 (2020: RMB 308,922,000).

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 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 (2020: four) core product and service lines, namely government big data software and related services and low carbon & ecology software and related services (2020: government big data software and related services, low carbon & ecology software and related services, export enterprise cloud-based software and services and system integration solutions, which the third product and service line was classified as a discontinued operation in 2020). For system integration solutions, which was classified as a separate product line in prior periods, the CODM considers this product line is a complementary service and its business nature becomes more correlated to the Group's government big data software and related services instead of a standalone product line. Therefore, during the year ended 31 December 2021, the CODM decided to merge the system integration solutions into government big data software and related services. The comparative figures have been amended in order to conform to the current period's presentation. These products and services form the basis on which the Group reports its segment information.

During the year ended 31 December 2020, an operating segment regarding export enterprise cloud-based software and services was discontinued along with the Group's disposal of its equity interests in Jiangsu Skytech Zumoo Technology Co., Limited ("Jiangsu Skytech Zumoo"), Nanjing Skytech Quan Shui Tong Informational Technology Co., Limited ("Quan Shui Tong") and partial assets relevant to this segment under the name of Nanjing Skytech Co., Limited ("Nanjing Skytech"). After that, the Group no longer carried on the business of export enterprise cloud-based software and services segment.

The segment information reported does not include any amount for the discontinued operation, details of which are set out in Notes 13 and 41.

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

Continuing operations	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
Type of goods or service			
Sales of software product	495,609	79,618	575,227
Sales of hardware product	10,728	—	10,728
Service income	458	—	458
Total	506,795	79,618	586,413
Geographical markets			
The PRC	506,795	79,618	586,413
Timing of revenue			
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*

(i) Disaggregation of revenue from contracts with customers – *continued*

Continuing operations	Year ended 31 December 2020		
Segments	Government big data software and related services RMB'000 (restated)	Low carbon & ecology software and related services RMB'000	Total RMB'000
Type of goods or service			
Sales of software product	424,275	70,570	494,845
Sales of hardware product	37,230	—	37,230
Service income	1,264	470	1,734
Total	462,769	71,040	533,809
Geographical markets			
The PRC	462,769	71,040	533,809
Timing of revenue			
At point of time	461,505	70,570	532,075
Over time	1,264	470	1,734
Total	462,769	71,040	533,809

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 2021 and 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of one 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

The following is an analysis of the Group's results from continuing operations by reportable segments:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Continuing operations			(restated)	(restated)
Segment results				
— Government big data software and related services	96,557	91	169,092	92
— Low carbon & ecology software and related services	10,013	9	13,962	8
Total segment results	106,570	100	183,054	100
Other income and gains	16,079		420,144	
Other expenses and losses	(13,503)		(7,278)	
Distribution and selling expenses	(24,537)		(28,222)	
General and administrative expenses	(64,909)		(38,876)	
Finance costs	(2,089)		(1,852)	
Profit before taxation	17,611		526,970	
Taxation	(2,598)		(78,171)	
Profit and total comprehensive income for the year	15,013		448,799	

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 CODM for the purposes of resource allocation and performance assessment.

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENTAL INFORMATION – *continued*

Geographical information

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

Substantially all of the Group's revenue is derived from the PRC, the place of domicile of the major subsidiary, Nanjing Skytech.

Information about major customers

No single customer accounted for 10% or more of the total revenue for both the years ended 31 December 2021 and 2020.

6. VALUE-ADDED TAX REFUND

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Continuing operations		
Value-added tax refund	2	3,510

The amount represents the benefit of the refund of value-added tax ("VAT") on Group's sale of government big data solutions and low carbon software solutions received or receivable from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. The sales of software products in the PRC are subject to VAT calculated at 13% (2020: 13%). Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT.

7. OTHER INCOME AND GAINS

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Continuing operations		
Gain on disposal of discontinued operation (Note 41)	–	409,332
Interest income	9,860	2,852
Government grants (Note (a))	1,709	1,056
Compensation income (Note (b))	–	4,629
Others (Note (c))	4,510	2,275
	16,079	420,144

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) The compensation income represents the compensation received from legal action.

(c) For the year ended 31 December 2021, others included rental income of RMB 3,477,000 from a related company, Nanjing SkyTech Quan Shui Tong Information Technology Co., Limited, which Ms. Xin Yingmei ("Ms. Xin"), chairlady of the Company, has common control.

For the year ended 31 December 2020, others included receipts of RMB 1,317,000 and RMB 494,000 from unemployment insurance for stabilising employment and an insurance claim, respectively.

8. OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing operations		
Impairment on trade receivables (Note 36)	12,826	6,999
Loss on disposal of property, plant and equipment	5	21
Net foreign exchange losses	294	169
Others	378	89
	13,503	7,278

9. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing operations		
Interests on bank loans	2,089	1,847
Interests on lease liabilities	—	5
	2,089	1,852

10. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations has been arrived at after charging/(crediting):

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	7,058	7,128
Depreciation of right-of-use assets	391	543
Amortisation of intangible assets:		
— Amortisation of capitalised software costs (included in cost of sales)	98,475	87,606
— Amortisation of other software (included in research and development costs)	78,504	57,902
	176,979	145,508
	184,428	153,179
Directors' emoluments	3,911	3,915
Cost of defined contribution retirement benefit plans	3,128	3,188
Employee benefits expenses	92,078	104,364
Total staff cost	99,117	111,467
Less: amount included in capitalised software costs	(71,755)	(80,858)
	27,362	30,609
Auditor's remuneration	1,817	1,906
Research and development costs recognised as an expense	81,269	59,727
Cost of inventories recognised as an expense	150,146	134,120

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2021

	Ms. Xin	Mr. Su Hui	Mr. Zong Ping (Note i)	Mr. Kang Choon Kiat (Note i&ii)	Mr. Kwauk Teh Ming, Walter (Note i)	Mr. Chan Choo Tee (Note i&iii)	Mr. Ren Geng	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	96	108	143	31	–	378
Other emoluments								
Salaries and benefits	2,741	711	–	–	–	–	–	3,452
Contribution to retirement benefits schemes	59	22	–	–	–	–	–	81
Total emoluments	2,800	733	96	108	143	31	–	3,911

For the year ended 31 December 2020

	Ms. Xin	Mr. Su Hui	Mr. Zong Ping (Note i)	Mr. Kang Choon Kiat (Note i&ii)	Mr. Kwauk Teh Ming, Walter (Note i)	Mr. Chan Choo Tee (Note i&iii)	Mr. Ren Geng	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	97	145	145	–	–	387
Other emoluments								
Salaries and benefits	2,760	710	–	–	–	–	–	3,470
Contribution to retirement benefits schemes	40	18	–	–	–	–	–	58
Total emoluments	2,800	728	97	145	145	–	–	3,915

Notes:

(i) Mr. Zong Ping, Mr. Kang Choon Kiat, Mr. Chan Choo Tee and Mr. Kwauk Teh Ming, Walter, are independent non-executive directors of the Company.

(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.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

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.

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.

The five highest paid individuals in the Group included 2 directors of the Company (2020: 2 directors), for the year ended 31 December 2021, whose emoluments are set out above. The emoluments of the remaining 3 (2020: 3) individuals during the year were as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Employees:		
— Salaries and other benefits	1,249	1,486
— Contributions to retirement benefit schemes	102	77
Total	1,351	1,563

During the year ended 31 December 2021, no emoluments were paid by the Group to the directors of the Company and the five highest paid individuals 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 individuals. None of the directors has waived any emoluments during the year ended 31 December 2021.

The emoluments of these employees were within the following band:

	Year ended 31 December	
	2021 Number of employees	2020 Number of employees
Emolument band (in HK dollar)		
HKDNil to HKD1,000,000	3	3

12. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing operations		
Current tax:		
— PRC Enterprise Income Tax ("EIT")	2,599	54,659
(Over)/under provision in prior years	(2,914)	6,046
Deferred tax	2,913	17,466
	2,598	78,171

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before taxation (from continuing operations)	17,611	526,970
Tax at income tax rate of 25% (2020: 25%)	4,403	131,742
Tax effect of expenses not deductible for tax purpose	13,040	21,591
Tax effect of income not taxable for tax purpose	(145)	(2,795)
Effect of PRC EIT exemption and concessions	(5,073)	(85,869)
(Over)/under provision of PRC EIT in prior years	(2,914)	6,046
Tax effect of tax losses not recognised	2,574	5,341
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(15,411)	(16,863)
Withholding income tax on undistributed profits attributable to the PRC subsidiaries	7,000	15,600
Utilisation of tax losses previously not recognised	(876)	—
Increase in opening deferred tax balances resulting from an increase in applicable tax rate	—	3,378
	2,598	78,171

The Company/Infotech Holdings Pte. Ltd. ("Infotech Holdings")

The Company and Infotech Holdings, a subsidiary incorporated in Singapore, had no assessable profits subject to income tax in any jurisdictions since their incorporation.

12. INCOME TAX EXPENSE – *continued*

PRC subsidiaries

The Company's subsidiaries established in the PRC are subject to PRC EIT at rates prevailing under the relevant laws and regulations in the PRC as follows:

1. On 31 October 2014, Nanjing Skytech obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax rate for both Nanjing Skytech from Year 2014 to Year 2016 was 15%. A review was conducted in October 2017, pursuant to which Nanjing Skytech was granted the written certification by the relevant tax authorities, maintained its status as the "High-tech Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019. On 2 December 2020, Nanjing Skytech was again granted the same certification and the preferential corporate income tax rate of 15% is prolonged to Year 2023.

   In addition to being recognised as a "High-tech Enterprise", enjoying a preferential corporate income tax rate of 15%, 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%. In 2016, Cai Shui [2016] No.49 has been enacted that an entity can register for the "Key Software Enterprise under the National Plan" with the tax bureau if the entity complies with relevant requirements. Pursuant to the announcement made by the Jiangsu Provincial Tax Service on 9 September 2020, Nanjing Skytech was recognised as "Key Software Enterprise under the National Plan" and was entitled to enjoy the 10% preferential enterprise income tax rate for the year ended 31 December 2019. During the year ended 31 December 2021, Nanjing Skytech was recognised again by the Jiangsu Provincial Tax Service and entitled to enjoy the 10% preferential enterprise income tax rate for the year ended 31 December 2020. As at 31 December 2021, 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 2021.

2. The applicable EIT rate for Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation"), Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Limited ("Jiangsu Skytech Investment"), Qingdao Skytech Software Co., Limited ("Qingdao Skytech"), Nanjing Aisita Real Estate Co., Limited ("Nanjing Aisita") and Jiangsu Skytech Industrial Internet Co., Limited were 25% for the years ended 31 December 2021 and 2020.

13. DISCONTINUED OPERATION

On 30 September 2020, the Group entered into an equity transfer agreement with Nanjing Skytech Enterprise Management Partnership (Limited Partnership), which is controlled by Ms. Xin, Chairlady of the Company, to dispose of the entire equity interest in Quan Shui Tong; 45% equity interest in Jiangsu Skytech Zumoo; and partial assets relevant to export enterprise cloud-based software and services under the name of Nanjing Skytech, at a cash consideration of RMB 526,000,000. The disposal was effected in order to exert more of the Group's focus on its government big data software and related services and low carbon & ecology software and related services businesses. The disposal was completed on 27 November 2020 ("Date of Disposal").

The profit for the year from the discontinued export enterprise cloud-based software and services operation was set out below.

	Year ended 31 December 2020 RMB'000
Profit of export enterprise cloud-based software and services operation for the period	64,555
Gain on disposal of export enterprise cloud-based software and services operation (Note 41)	409,332
Income tax expense on gain of the disposal	(40,933)
	432,954

13. DISCONTINUED OPERATION – *continued*

The results of the export enterprise cloud-based software and services operation for the period from 1 January 2020 to 27 November 2020, which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 27 November 2020 RMB'000
Revenue	123,833
Value-added tax refund	4,595
Cost of sales	(18,678)
Research and development costs	(8,953)
Other income and gains	913
Other expenses and losses	—
Distribution and selling expenses	(26,027)
General and administrative expenses	(4,496)
Finance costs	(2)
Profit before taxation	71,185
Taxation	(6,630)
Profit and total comprehensive income for the period	64,555

During the year ended 31 December 2020, the export enterprise cloud-based software and services business contributed approximately RMB 125 million to the Group's net operating cash flows, paid approximately RMB 36 million in respect of investing activities and paid approximately RMB 55 million in respect of financing activities.

The carrying amounts of the assets and liabilities of this business at the date of disposal are disclosed in Note 41.

14. EARNINGS PER SHARE

For continuing operations

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit for the year attributable to owners of the Company from continuing and discontinued operations for the purpose of basic earnings per share	15,806	515,940
Adjust for:		
Profit for the year attributable to owners of the Company from discontinued operation	–	(66,466)
Profit for the year attributable to owners of the Company from continuing operations for the purpose of basic earnings per share	15,806	449,474
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,222,385	1,222,385

For the years ended 31 December 2021 and 2020, dilutive earnings per share has not been calculated as there were no potential dilutive shares outstanding.

14. EARNINGS PER SHARE – *continued*

From continuing and discontinued operations

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit for the year attributable to owners of the Company from continuing and discontinued operations for the purpose of basic earnings per share	15,806	515,940

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operation

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

	2020 RMB'000
Earnings	
Profit for the year attributable to owners of the Company from discontinued operation for the purpose of basic earnings per share	66,466

The denominators used are the same as those detailed above for basic earnings per share.

	2020 RMB cents
Earnings per share from discontinued operation	
— Basic and diluted	5.44

15. DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dividend recognised as distribution during the year:		
Final dividend of RMB 20.05 cents per share for the year ended 31 December 2020	245,088	–

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: RMB 20.05 cents per share, in an aggregate amount of RMB 245,088,112).

16. 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 2020	105,413	19,342	8,156	4,574	137,485
Additions	—	1,250	363	—	1,613
Disposal	—	(551)	(19)	—	(570)
Disposal of discontinued operation (Note 41)	—	(1,787)	—	(190)	(1,977)
At 31 December 2020 and 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	105,413	20,271	9,449	4,384	139,517
DEPRECIATION					
At 1 January 2020	18,159	15,823	4,660	4,196	42,838
Provided for the year	4,884	1,473	1,017	96	7,470
Eliminated on disposal	—	(524)	(18)	—	(542)
Eliminated on disposal of discontinued operation (Note 41)	—	(1,067)	—	(66)	(1,133)
At 31 December 2020 and 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	27,927	16,565	6,813	4,289	55,594
CARRYING VALUES					
At 31 December 2021	77,486	3,706	2,636	95	83,923
At 31 December 2020	82,370	2,549	2,841	158	87,918

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Leasehold lands RMB'000	Total RMB'000
COST			
At 1 January 2020	532	15,118	15,650
Addition	32	—	32
Disposal of discontinued operation (Note 41)	(168)	—	(168)
At 31 December 2020,1 January 2021 and 31 December 2021	396	15,118	15,514
AMORTISATION			
At 1 January 2020	262	1,170	1,432
Charge for the year	232	360	592
Eliminated on disposal of discontinued operation (Note 41)	(129)	—	(129)
At 31 December 2020 and 1 January 2021	365	1,530	1,895
Charge for the year	31	360	391
At 31 December 2021	396	1,890	2,286
CARRYING VALUES			
At 31 December 2021	—	13,228	13,228
At 31 December 2020	31	13,588	13,619

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	780	738
Total cash outflow for leases	780	954

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year. Lease terms are negotiated on an individual basis and contain different terms and conditions.

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located. 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.

18. INTANGIBLE ASSETS

	Capitalised software costs RMB'000	Other software RMB'000	Total RMB'000
COST			
At 1 January 2020	735,891	371,901	1,107,792
Additions	135,002	79,477	214,479
Disposal of discontinued operation (Note 41)	(121,013)	(52,475)	(173,488)
At 31 December 2020 and 1 January 2021	749,880	398,903	1,148,783
Additions	88,404	123,229	211,633
At 31 December 2021	838,284	522,132	1,360,416
AMORTISATION			
At 1 January 2020	480,206	310,503	790,709
Charge for the year	105,357	64,988	170,345
Eliminated on disposal of discontinued operation (Note 41)	(79,679)	(41,514)	(121,193)
At 31 December 2020 and 1 January 2021	505,884	333,977	839,861
Charge for the year	98,475	78,504	176,979
At 31 December 2021	604,359	412,481	1,016,840
CARRYING VALUES			
At 31 December 2021	233,925	109,651	343,576
At 31 December 2020	243,996	64,926	308,922

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

Capitalised software costs	3 years
Other software	2 years

19. RESTRICTED BANK DEPOSITS

The restricted bank deposits represent cash held at banks as security in relation to the court case between Nanjing Skytech and Nanhua Skytech Technology Co., Ltd., which carry interest at 4.18% (2020: 4.18%) and not expected to be released within one year.

20. PLEDGED BANK DEPOSITS

At 31 December 2021, pledged bank deposits of the Group represented deposits pledged as guarantee deposit for issuance of bank acceptance notes to suppliers, carrying fixed interest rates at 1.3% to 2.75% per annum and will be matured in 1 to 2 years (2020: carrying fixed interest rates at 1.3% to 2.75 % per annum and will be matured in 1 year).

Details of impairment assessment of pledged bank deposits are set out in Note 36.

21. TIME DEPOSITS WITH ORIGINAL MATURITIES OVER THREE MONTHS

At 31 December 2021, the time deposits of the Group are made for periods more than three months with creditworthy banks, unsured, carrying fixed interest rate at 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 36.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2021 RMB'000	2020 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. The investment in Cyberunion was fully impaired since 31 December 2018 because directors of the Company are of the opinion that its fair value is zero in view of it was in the process of voluntary winding up with no residual value is expected.

As at 31 December 2021, Cyberunion is still under voluntary liquidation in the PRC. The details of measurement and changes in fair value is described in Note 36.

23. INVENTORIES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Purchased government big data software and related services related products	968	621

24. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables		
Third parties	1,326,083	1,352,306
Less: Allowance for credit losses	(31,529)	(18,703)
	1,294,554	1,333,603
Prepayments to suppliers	175,976	95,699
Prepayment to the trustee	—	1,428
Deposits	6,633	4,868
VAT recoverable	—	998
Advances to employees	1,738	529
Others	12,408	3,920
Total trade and other receivables	1,491,309	1,441,045

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 being around one year. A longer credit term may be extended to certain customers depending on price, the size of the contract, credibility and reputation. 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.

24. TRADE AND OTHER RECEIVABLES – *continued*

	As at 31 December	
	2021 RMB'000	2020 RMB'000
0 – 60 days	282,919	266,085
61 – 90 days	1,302	3,473
91 – 180 days	5,417	1,020
181 – 365 days	107,633	141,754
Over 1 year but less than 2 years	279,788	460,536
Over 2 years	617,495	460,735
	1,294,554	1,333,603

Details of impairment assessment of trade and other receivables for the years ended 31 December 2021 and 2020 are set out in Note 36.

25. BANK BALANCES AND CASH

Bank balances of the Group carry interest at market rates of 0.3% to 2.01% per annum at 31 December 2021 (2020: 0.35% to 4.18% per annum).

The Group's bank balances and cash that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Denominated in:		
USD	1,799	2,129
HKD	9,065	1,855
Balance at end of the year	10,864	3,984

Details of impairment assessment of bank balances and cash are set out in Note 36.

26. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables	83,567	94,916
Bills payable (Note)	453	—
	84,020	94,916

Note: At 31 December 2021, the Group's bills payables were secured by pledged bank deposits of the Group (Note 20).

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
0 to 90 days	46,089	80,087
91 to 180 days	2,322	7,416
181 to 365 days	28,662	3,885
Over 1 year	6,947	3,528
	84,020	94,916

27. OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Payroll payables	14,408	23,389
VAT and other tax payables	70,359	77,636
Others	7,757	4,371
	92,524	105,396

28. CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Sales contracts		
— billings in advance of performance	16,372	3,050

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	3,050	8,567
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	(3,050)	(6,667)
Increase in contract liabilities as a result of billing in advance of performance	16,372	2,606
Disposal of discontinued operation (Note 41)	—	(1,456)
At 31 December	16,372	3,050

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

		2021			2020		
	Note	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Fixed rate borrowings:							
Bank loans – guaranteed	(a)	3.85%	2022	20,000	—	—	—
Bank loans – guaranteed	(a)	—	—	—	3.5%	2021	22,348
Bank loans – guaranteed	(a)	—	—	—	3.5%	2021	27,652
Bank loans – guaranteed	(b)	—	—	—	3.5%	2021	30,000
				20,000			80,000

Notes:

(a) The bank loans were guaranteed by corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company of the maximum amount of RMB 70,000,000.

(b) The bank loan was guaranteed by personal guarantee of Ms. Xin, Chairlady of the Company of the maximum amount of RMB 100,000,000.

30. DEFERRED TAX

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

	ECL provision	Undistributed profits of subsidiaries	Capitalised software costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,170	(52,838)	(22,206)	(73,874)
Credit/(charge) to profit or loss	1,737	(15,600)	(3,671)	(17,534)
Reversal upon payment of withholding tax	—	550	—	550
Disposal of discontinued operation (Note 41)	—	—	3,138	3,138
At 31 December 2020 and 1 January 2021	2,907	(67,888)	(22,739)	(87,720)
Credit/(charge) to profit or loss	245	(7,000)	3,842	(2,913)
Reversal upon payment of withholding tax	—	13,426	—	13,426
At 31 December 2021	3,152	(61,462)	(18,897)	(77,207)

Under the PRC enterprise income law, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2021, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

The Group has unused tax losses of RMB 76,095,000 available for offset against future profits as at 31 December 2021 (31 December 2020: RMB 75,219,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses arising from subsidiaries operated in the PRC will expire in one to five (2020: one to five) years for offsetting against future taxable profits, the unused tax losses of RMB 5,916,000 expired during the year ended 31 December 2021. Other than the above amounts, at the end of each reporting period, the Group had no other significant unrecognised deferred taxation.

31. SHARE CAPITAL

Shown on the consolidated statement of financial position

	Number of shares '000	RMB'000
Authorised shares of HKD 0.01 each:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	8,000,000	59,128
Issued and fully paid shares of HKD 0.01 each:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	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. Upon the disposal of Quan Shui Tong and Jiangsu Skytech Zumoo during 2020, as disclosed in Note 41, RMB 5,001,000 is transferred to the Group's accumulated profits.

32. RESERVES – *continued*

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 in January 2011 and became the holding company of the Group. An amount of RMB 891,000 representing the nominal value of share capital of Infotech Holdings was credited to capital reserve upon the Reorganisation. Further in 2011, an amount of RMB 1,736,000 arising from an indemnification of an equal amount from Ms. Xin was credited to capital reserve. Further in 2019, an amount of RMB 3,861,000 arising from shareholding restructure of Jiangsu Skytech Zumoo. Upon the disposal of Jiangsu Skytech Zumoo during 2020, as disclosed in Note 41, RMB 3,861,000 was transferred to the Group's accumulated profits.

Share Premium

Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, 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, Jiangsu Skyinformation, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment and 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, Jiangsu Skyinformation, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment and Nanjing Aisita. The only obligation of Nanjing Skytech, Jiangsu Skyinformation, 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.

33. RETIREMENT BENEFIT PLANS – *continued*

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:

	2021 RMB'000	2020 RMB'000
Total amount contributed	3,128	3,188
Less: Amounts contributed and capitalised to intangible assets	(2,784)	(2,385)
Amounts contributed and charged to profit or loss	344	803

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 HKD 1 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 HKD 5 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 2021 and 31 December 2020, no option has been granted under the Share Option Scheme since its adoption date.

34. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

(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.

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 RMB 35,780,000) 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 RMB 12,255,000) and HKD26,300,000 (equivalent to approximately RMB 23,396,000) (the "First Contributed Amount") respectively.

34. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

(b) Share Award Scheme – *continued*

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 RMB 44,131,000) 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 RMB 31,795,000) and HKD9,999,000 (equivalent to approximately RMB 8,098,000) 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 RMB 36,827,000), 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 HKD 31,716,714 (equivalent to approximately RMB 26,693,000), taking into account of the average closing price of HKD 1.614 (equivalent to RMB 1.358) 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.

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:

	2021 RMB'000	2020 RMB'000
Pledged bank deposits (Note 20)	2,510	1,229

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 of cash and cash equivalents, bank borrowings and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group 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.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Amortised cost	1,615,178	2,066,025
Financial liabilities		
Amortised cost	126,185	202,676

Financial risk management objectives and policies

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

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

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 and other payables 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.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Foreign currency risk management – *continued*

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

	2021 RMB'000	2020 RMB'000
Assets		
USD	1,799	2,129
HKD	9,065	1,855

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/(negative) number below indicates an increase/(decrease) in profit before tax for the year 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 profit before tax for the year.

	2021 RMB'000	2020 RMB'000
USD impact	90	106
HKD impact	453	93
	543	199

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 year.

Other price risk management

In the opinion of the directors of the Company, 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.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

There is concentration of credit risk as the top five biggest customers account for approximately 21% of the carrying amounts of trade receivables as at 31 December 2021 (31 December 2020: 21%). 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.

The credit risk on bank balances, restricted bank deposits, pledged bank deposits and time deposits with original maturities over three months are limited because the counterparties are banks with high credit ratings or are state owned.

Other than concentration of credit risk on cash and cash equivalents, restricted bank deposits, pledged bank deposits which are deposits and time deposits with original maturities over three months with several banks with high credit ratings. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2021 (31 December 2020: 100%).

Other than concentration of credit risk on trade receivables, other receivables and cash and cash equivalents deposited at several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associate with its financial assets.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

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	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month 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

36. CAPITAL RISK MANAGEMENT AND 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:

2021	Note	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised costs					
Restricted bank deposits	19	N/A	12-month ECL		28,160
Pledged bank deposits	20	N/A	12-month ECL		2,510
Time deposits with original maturities over three months	21	N/A	12-month ECL		70,000
Bank balances	25	N/A	12-month ECL		201,399
Other receivables	24	(Note (a))	12-month ECL		19,041
Trade receivables	24	(Note (b))	Lifetime ECL (provision matrix)	1,320,395	
		Loss	Credit-impaired	5,688	1,326,083

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

2020	Note	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised costs					
Restricted bank deposits	19	N/A	12-month ECL		28,160
Pledged bank deposits	20	N/A	12-month ECL		1,229
Bank balances	25	N/A	12-month ECL		694,258
Other receivables	24	(Note (a))	12-month ECL		8,775
Trade receivables	24	(Note (b))	Lifetime ECL (provision matrix)	1,346,618	
		Loss	Credit-impaired	5,688	1,352,306

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

Notes:

(a) 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.

31 December 2021

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

31 December 2020

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Other receivables	–	8,775	8,775

(b) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group determines the ECL on these items by using a provision matrix, 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 the 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 based on provision matrix as at 31 December 2021 and 31 December 2020 within lifetime ECL (not credit impaired). Credit-impaired debtors with gross carrying amounts of RMB 5,688,000 (2020: RMB 5,688,000) were assessed individually.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

Gross carrying amount

	31 December 2021		31 December 2020	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Current (not past due)	0.64%	399,818	0.29%	413,532
Less than 1 year past due	0.96%	282,497	0.34%	462,107
Over 1 year but less than 2 years past due	1.80%	381,805	2.02%	327,830
Over 2 years past due	5.35%	256,275	2.53%	143,149
		1,320,395		1,346,618

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 2021, the Group provided RMB 18,514,000 (31 December 2020: RMB 4,749,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB nil (2020: RMB 2,250,000) was made on credit-impaired debtors.

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

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2020	8,266	3,438	11,704
Changes due to financial instrument recognised as at 1 January 2020:			
— Transfer to credit-impaired	(2,250)	2,250	—
— Impairment losses recognised	5,800	—	5,800
New financial assets originated	1,199	—	1,199
At 31 December 2020	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

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

Changes in the loss allowance to:

	31 December 2021 Increase in lifetime ECL		31 December 2020 Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'000	Credit-impaired RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Transferred to credit-impaired	–	–	(2,250)	2,250
Impairment losses recognised	10,279	–	5,800	–
New trade receivables	2,547	–	1,199	–

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 two years past due, whichever occurs earlier.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Liquidity risk management

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The tables have 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.

	Weighted average effective interest rate %	On demand, or less than 3 months RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Financial liabilities							
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
At 31 December 2020							
Financial liabilities							
Trade and bills payables	–	94,916	–	–	–	94,916	94,916
Other payables	–	27,760	–	–	–	27,760	27,760
Bank borrowings	3.50	81,552	–	–	–	81,552	80,000
		204,228	–	–	–	204,228	202,676

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposit (Note 19), pledged bank deposits (Note 20), time deposits with original maturities over three months (Note 21) and fixed-rate bank borrowings (Note 29). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (Note 25). The Group cash flow interest rate risk is mainly concentrated on the 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.

(i) Interest rate risk

	2021		2020	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate				
Restricted bank deposits	4.17	28,160	4.17	28,160
Pledged bank deposits	1.76	2,510	2.36	1,229
Bank deposits	—	—	4.12	62,005
Time deposits with original maturities over three months	3.99	70,000	—	—
Bank borrowings	3.85	(20,000)	3.50	(80,000)
Variable rate				
Bank deposits	0.33	201,345	0.63	632,215

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and accumulated profits by approximately RMB 1,796,000 (2020: RMB 5,674,000) respectively. Other components of equity would not be affected (2020: RMB Nil) by changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2020.

36. CAPITAL RISK MANAGEMENT AND 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. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or perform valuation by themselves. The valuation committee 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 and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	31 December 2021	31 December 2020			
Unlisted equity investments	4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Ltd. valued at RMB Nil	4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Ltd. valued at RMB Nil	Level 3	Asset-based approach	N/A

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 2021 and 31 December 2020.

36. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Fair value measurements of financial instruments – *continued*

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity investments RMB'000
At 31 December 2020, 1 January 2021 and 31 December 2021	—

37. 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.

	Lease liabilities RMB'000	Borrowings (Note 29) RMB'000	Total RMB'000
At 1 January 2020	267	10,000	10,267
Financing cash flows:			
— New bank loan raised	—	124,000	124,000
— Repayment of bank loan	—	(54,000)	(54,000)
— Interest paid	—	(1,847)	(1,847)
— Capital element of lease rentals paid	(263)	—	(263)
— Interest element of lease rentals paid	(7)	—	(7)
Other changes:			
— New lease	32	—	32
— Interest expenses	7	1,847	1,854
— Disposal of discontinued operation (Note 41)	(36)	—	(36)
At 31 December 2020 and 1 January 2021	—	80,000	80,000
Financing cash flows:			
— New bank loan raised	—	20,000	20,000
— Repayment of bank loan	—	(80,000)	(80,000)
— Interest paid	—	(2,089)	(2,089)
Other changes:			
— Interest expenses	—	2,089	2,089
At 31 December 2021	—	20,000	20,000

38. RELATED PARTY TRANSACTIONS

(a) 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:

	2021 RMB'000	2020 RMB'000
Short term benefits	5,079	5,343
Retirement benefits scheme contributions	183	135
	5,262	5,478

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

	2021 RMB'000	2020 RMB'000
Nanjing Skytech Enterprise Management Partnership (Limited Partnership) (Note) (Note 13)		
Consideration received for the discontinued operation	–	526,000
Quan Shui Tong (Note)		
Rental income from a related company	3,477	–

Note: Nanjing Skytech and Nanjing Skytech Enterprise Management Partnership (Limited Partnership) and Quan Shui Tong are companies of which Ms. Xin has common control.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 RMB'000	2020 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	44,969
Prepayment to the trustee		–	1,428
Other receivables		71	71
Bank balances and cash		9,184	3,947
		54,221	50,415
Current liabilities			
Other payables		1,934	1,473
Net current assets		52,287	48,942
Net assets		185,172	181,827
Capital and reserves			
Share capital		9,876	9,876
Reserves	(b)	175,296	171,951
Total equity		185,172	181,827

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

(a) A list of the Company's subsidiaries is shown in Note 40 to the consolidated financial statements.

(b) Movement of the Company's reserves

	Share premium RMB'000	Accumulated losses RMB'000	Shares held under share award scheme RMB'000	Total RMB'000
At 1 January 2020	257,539	(50,507)	(38,717)	168,315
Profit and total comprehensive income for the year	—	3,636	—	3,636
At 31 December 2020 and 1 January 2021	257,539	(46,871)	(38,717)	171,951
Profit and total comprehensive income for the year	—	221,740	—	221,740
Dividend (Note 15)	—	(245,088)	—	(245,088)
Share award granted (Note 34(b))	—	(12,024)	38,717	26,693
At 31 December 2021	257,539	(82,243)	—	175,296

40. 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				Principal activities
			Direct		Indirect		
			2021 %	2020 %	2021 %	2020 %	
Infotech Holdings Pte. Ltd.	Singapore, limited company	SGD 27,538,640	100	100	–	–	Investment holding
Nanjing Skytech 南京擎天科技有限公司 (Note (a))	PRC, limited company	RMB 200,000,000	–	–	100	100	Software development, system integration, sales of related computer products and provision of solution services
Jiangsu Skyinformation 江蘇擎天信息科技有限公司 (Note (a), (b))	PRC, limited company	RMB 35,000,000	–	–	–	100	Software outsourcing service and development on sale of information integration
Zhenjiang Skyinformation 鎮江擎天信息科技有限公司 (Note (a))	PRC, limited company	RMB 5,000,000	–	–	100	100	Development and sale of software and system related products and services
Jiangsu Skytech Investment 江蘇擎天科技投資管理有限公司 (Note (a))	PRC, limited company	USD 83,650,000	–	–	100	100	PRC investment and advisory

40. 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		
			2021 %	2020 %	2021 %	2020 %	
Qingdao Skytech 青島擎天軟件有限公司 (Note (a))	PRC, limited company	RMB 10,000,000	–	–	100	100	Computer products of System integration and software development
Nanjing Aisita 南京艾斯特置業有限公司 (Note (a))	PRC, limited company	RMB 120,000,000	–	–	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))	PRC, limited company	RMB 10,000,000	–	–	60	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) On 6 April 2021, Nanjing Skytech has entered into an agreement for the Merger by Absorption Agreement with Jiangsu Skyinformation. After the merger, Nanjing Skytech would absorb Jiangsu Skyinformation, and Jiangsu Skyinformation would then be deregistered, which was subsequently completed on 22 July 2021. Upon the merger, Jiangsu Skyinformation's assets, liabilities, business and personnel would be undertaken by Nanjing Skytech.

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

41. DISPOSAL OF DISCONTINUED OPERATION

As set out in Note 13, on 27 November 2020, the Group discontinued its export enterprise cloud-based software and services operation at the time of disposal of its subsidiaries, Quan Shui Tong, Jiangsu Skytech Zumoo and partial assets of Nanjing Skytech. The net assets of the disposed operation at the date of disposal were as follows:

	RMB'000
Consideration received:	
Cash received	526,000

	As at 27 November 2020 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	844
Right-of-use assets	39
Intangible assets	52,295
Trade and other receivables	13,934
Bank balances and cash	74,711
Trade and other payables	(10,761)
Contract liabilities	(1,456)
Tax liabilities	(2,467)
Lease liabilities	(36)
Deferred tax liabilities	(3,138)
Net assets disposed of	123,965
Gain on disposal of discontinued operation	
Consideration received	526,000
Net assets disposed of	(123,965)
Non-controlling interests	7,297
Gain on disposal	409,332
Net cash inflow arising on disposal:	
Cash received	526,000
Less: bank balances and cash disposed of	(74,711)
	451,289

The impact of the disposed business on the Group's results and cash flows in the current and prior periods is disclosed in Note 13.

42. CONTINGENT LIABILITIES

Nanjing Skytech has been involved in a series of disputes with Janful Limited ("Janful") over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People's Court, ordering the defendants of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd (南京南華擎天資訊科技有限公司) ("Nanhua Skytech"). The Group had issued a defend letter and filed an appeal to the Higher People's Court of Jiangsu Province ("Higher Court"). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People's Court of The People's Republic of China ("Supreme People's Court"). On 3 August 2016, the Group received a notice of case registration from the Supreme People's Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People's Court. Pursuant to the Company's further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People's Court (the "Beijing Court") for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award ("CIETAC Arbitral Award") which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful's application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful's application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company's announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People's Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 31 December 2021 and prior years.

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