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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “Board”) of directors (the “Directors”) of Chinasoft International Limited (“Chinasoft” or the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with the comparative audited consolidated figures for the year ended 31 December 2020 are as follows:

HIGHLIGHTS			
Results for the year ended 31 December 2021			
Income statement highlights	2021	2020	Growth rate
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	18,398,076	14,101,239	30.5%
Service revenue	18,132,013	13,762,185	31.8%
Profit for the year	1,136,690	948,113	19.9%
Profit for the year attributable to owners of the Company	1,136,911	954,928	19.1%
Basic earnings per share (cents)	40.89	37.86	8.0%

- The Board recommended the payment of a final dividend for the year ended 31 December 2021 of HK\$0.0323 per share.
- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	18,398,076	14,101,239
Cost of sales and services		(13,493,835)	(9,982,755)
Gross profit		4,904,241	4,118,484
Other income		419,280	312,821
Loss from derecognition of financial assets measured at amortised cost		(5,515)	(1,201)
Impairment losses, under expected credit loss model, net of reversal		(111,735)	(161,384)
Impairment loss on goodwill		–	(21,857)
Impairment loss on investment accounted for using the equity method		–	(15,878)
Other gains or losses		151,595	(14,902)
Selling and distribution costs		(943,469)	(729,409)
Administrative expenses		(1,755,654)	(1,301,981)
Research and development costs		(1,249,325)	(930,169)
Other expenses		(47,588)	(43,786)
Finance costs		(99,557)	(151,458)
Share of results of investments accounted for using the equity method		(10,196)	(24,435)
Profit before taxation		1,252,077	1,034,845
Income tax expense	4	(115,387)	(86,732)
Profit for the year		1,136,690	948,113

	<i>NOTE</i>	2021 RMB'000	2020 <i>RMB'000</i>
Other comprehensive income (expense) Item that may be reclassified subsequently to profit or loss: – exchange differences arising on translation of foreign operations		<u>(2,982)</u>	<u>4,921</u>
Other comprehensive income (expense) for the year, net of tax		<u>(2,982)</u>	<u>4,921</u>
Total comprehensive income for the year		<u>1,133,708</u>	<u>953,034</u>
Profit for the year attributable to:			
Owners of the Company		1,136,911	954,928
Non-controlling interests		<u>(221)</u>	<u>(6,815)</u>
		<u>1,136,690</u>	<u>948,113</u>
Total comprehensive income attributable to:			
Owners of the Company		1,133,929	959,849
Non-controlling interests		<u>(221)</u>	<u>(6,815)</u>
		<u>1,133,708</u>	<u>953,034</u>
Earnings per share	6		
Basic		<u>RMB0.4089</u>	<u>RMB0.3786</u>
Diluted		<u>RMB0.3840</u>	<u>RMB0.3569</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,220,085	858,028
Right-of-use assets		627,641	333,744
Intangible assets		192,855	144,913
Goodwill		843,654	941,215
Investments accounted for using the equity method		384,641	247,154
Equity instrument at fair value		78,513	61,825
Other receivables		26,565	87,455
Pledged deposits		5,699	12,792
Deferred tax assets		3,013	5,753
		3,382,666	2,692,879
Current assets			
Inventories		162,631	51,192
Trade and other receivables	7	5,894,431	4,580,163
Bills receivable		42,438	15,851
Contract assets		1,740,630	1,904,185
Amounts due from related companies		106,828	39,776
Pledged deposits		16,289	16,134
Bank balances and cash		5,556,380	3,786,777
		13,519,627	10,394,078
Current liabilities			
Trade and other payables	8	2,251,585	1,752,965
Bills payable		56	33,446
Lease liabilities		213,849	142,318
Contract liabilities		410,877	329,240
Amounts due to related companies		10,657	8,771
Dividend payable		81	81
Taxation payable		181,075	83,372
Borrowings		917,421	368,130
		3,985,601	2,718,323
Net current assets		9,534,026	7,675,755
Total assets less current liabilities		12,916,692	10,368,634

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	13,312	10,896
Consideration payable on acquisition	19,992	–
Lease liabilities	235,959	159,942
Borrowings	1,020,870	1,421,385
	<u>1,290,133</u>	<u>1,592,223</u>
	<u>11,626,559</u>	<u>8,776,411</u>
Capital and reserves		
Share capital	138,703	131,956
Share premium	6,293,665	4,734,754
Treasury shares	(588,741)	(605,387)
Reserves	5,760,294	4,491,765
	<u>11,603,921</u>	<u>8,753,088</u>
Equity attributable to owners of the Company	11,603,921	8,753,088
Non-controlling interests	22,638	23,323
	<u>11,626,559</u>	<u>8,776,411</u>
Total equity	<u>11,626,559</u>	<u>8,776,411</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION OF THE COMPANY

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

2.1 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases (“HKFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2021	2020
	RMB’000	RMB’000
Provision of services	18,132,013	13,762,185
Sales of software and hardware products	266,063	339,054
	18,398,076	14,101,239
	2021	2020
	RMB’000	RMB’000
Timing of revenue recognition		
Over time	18,132,013	13,762,185
At a point in time	266,063	339,054
	18,398,076	14,101,239

Segment revenue and results

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

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

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

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

	Segment revenue		Segment results	
	2021	2020	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
TPG	16,622,352	12,396,429	1,209,519	1,162,191
IIG	1,775,724	1,704,810	147,939	124,114
	<u>18,398,076</u>	<u>14,101,239</u>	<u>1,357,458</u>	<u>1,286,305</u>

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets and liabilities

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

Information about products and services

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software and hardware products	<u>266,063</u>	<u>339,054</u>
Provision of services		
TPG	16,501,755	12,286,075
IIG	<u>1,630,258</u>	<u>1,476,110</u>
	<u>18,132,013</u>	<u>13,762,185</u>
	<u>18,398,076</u>	<u>14,101,239</u>

4. INCOME TAX EXPENSE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Income tax expense	<u>115,387</u>	<u>86,732</u>

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

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

5. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2020 Final – HK2.90 cents (2019: HK2.19 cents) per share	<u>70,117</u>	<u>51,808</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK3.23 cents (2020: HK2.90 cents) per ordinary shares has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	1,136,911	954,928
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	<u>–</u>	<u>43,461</u>
Earnings for the purpose of diluted earnings per share	<u>1,136,911</u>	<u>998,389</u>

	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,780,474	2,522,327
Effect of dilutive potential ordinary shares:		
Share options	42,078	14,740
Convertible loan notes	–	171,148
Share awards	<u>138,143</u>	<u>88,874</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,960,695</u>	<u>2,797,089</u>

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

7. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables, net of allowances	5,256,303	4,279,847
Advances to suppliers	406,638	129,736
Deposits, prepayments and other receivables, net of allowance	<u>258,055</u>	<u>258,035</u>
	<u>5,920,996</u>	<u>4,667,618</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	4,547,394	3,893,261
Between 91 – 180 days	417,732	233,695
Between 181 – 365 days	210,631	82,027
Between 1 – 2 years	<u>80,546</u>	<u>70,864</u>
	<u>5,256,303</u>	<u>4,279,847</u>

8. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	768,297	569,163
Payroll payables	1,238,154	928,813
Other tax payables	113,763	94,155
Other payables	131,371	160,834
	<u>2,251,585</u>	<u>1,752,965</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	428,871	536,205
Between 91 – 180 days	133,023	898
Between 181 – 365 days	100,324	3,833
Between 1 – 2 years	82,555	5,868
Over 2 years	23,524	22,359
	<u>768,297</u>	<u>569,163</u>

9. EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Company repurchased 7,374,000 shares with an aggregate consideration of approximately HK\$67,001,000 under the Share Award Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group's business grew rapidly. The Group's revenue, service revenue, profit, profit attributable to the owners of the Company and basic EPS increased by 30.5%, 31.8%, 19.9%, 19.1%, and 8.0% YoY respectively.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	% Increase (decrease) over the same period last year
Revenue	18,398,076	14,101,239	30.5%
Service revenue	18,132,013	13,762,185	31.8%
Profit for the year	1,136,690	948,113	19.9%
Profit for the year attributable to owners of the Company	1,136,911	954,928	19.1%
Basic earnings per share (<i>cents</i>)	40.89	37.86	8.0%

KEY OPERATING DATA

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	% Increase (decrease) over the same period last year
Revenue	18,398,076	14,101,239	30.5%
Service revenue	18,132,013	13,762,185	31.8%
Cost of sales and services	<u>(13,493,835)</u>	<u>(9,982,755)</u>	35.2%
Gross profit	4,904,241	4,118,484	19.1%
Other income	419,280	312,821	34.0%
Loss from derecognition of financial assets measured at amortised cost	(5,515)	(1,201)	359.2%
Impairment losses, under expected credit loss model, net of reversal	(111,735)	(161,384)	(30.8%)
Impairment loss on goodwill	–	(21,857)	(100.0%)
Impairment loss on investment accounted for using the equity method	–	(15,878)	(100.0%)
Other gains or losses	151,595	(14,902)	(1,117.3%)
Selling and distribution costs	(943,469)	(729,409)	29.3%
Administrative expenses	(1,755,654)	(1,301,981)	34.8%
Research and development costs	(1,249,325)	(930,169)	34.3%
Other expenses	(47,588)	(43,786)	8.7%
Finance costs	(99,557)	(151,458)	(34.3%)
Share of results of investments accounted for using the equity method	<u>(10,196)</u>	<u>(24,435)</u>	(58.3%)
Profit before taxation	1,252,077	1,034,845	21.0%
Income tax expense	<u>(115,387)</u>	<u>(86,732)</u>	33.0%
Profit for the year	1,136,690	948,113	19.9%
Profit for the year attributable to owners of the Company	1,136,911	954,928	19.1%
Basic earnings per share (<i>cents</i>)	40.89	37.86	8.0%

GENERAL OVERVIEW

In 2021, in face of complex domestic and foreign environmental challenges, the Group firmly hold “drawing a blueprint to the end” strategy. The Group has further promoted FFW (From, For, With) strategic decomposition and implementation, continued to maintain the rapid growth of cloud business, and achieved the transformation from a service company to an innovative enterprise with “root technology”. The group has been ranked in the TOP100 of Gartner’s “Global IT Services Market Share Ranking” for three consecutive years, and its ranking has continued to rise. Its performance in 2021 had hit a new high since its listing, fully demonstrating the value and tenacity of the China’s leading IT service company!

During the reporting period, the Group seized the strategic window period of OpenHarmony, and transformed the first-mover advantage of OpenHarmony into a competitive advantage. The Group was guided by the open-source OpenHarmony distribution to form a full-stack technology capability of OS product business, ecological enabling business, and cornerstone business, supporting the multi-level business development pattern. The Group cut into the industry, quickly established a market leading edge, actively explored a new business model for the joint operation of OpenHarmony applications and services, expanded more hardware terminal products to join the OpenHarmony ecosystem, and promoted the development of the OpenHarmony ecosystem.

During the reporting period, the cloud intelligent business group, as the Group’s second curve, continued to maintain strong growth. The Group ranked second in the IDC Third-party cloud management service market, and cloud migration and cloud development professional services both ranked first, officially entering the cloud service leader camp. During the period, the Group held Chinasoft International’s first Cloud Service Conference, announcing the comprehensive upgrade of its cloud service brand CloudEasy, and the official commercial use of the online cloud service “Huaxia Cloud Network”, greatly enhancing the industry’s brand power.

During the reporting period, the Group increased the conversion rate according to the path of “cloudization, cloud management, and cloud native”, grasped the share and growth rate of clients’ public cloud resale, and maintained an absolute leading position. The Group has become the customer’s TOP3 solution partner in the field of smart parks, and continues to create high-quality solutions in the medical, real estate, transportation, and energy industries to achieve large-scale breakthroughs and aPaaS layer precipitation. The Group focuses on the energy industry and should invest as much as possible, using cloud management to cut in and form its own platform capabilities and IP.

During the reporting period, the Jointforce platform entered the bridgehead of government digitalization, provided whole-process management services of the project, and formed a core product and service matrix of the main channel of the government. The Jointforce platform deeply cultivated local operation services in key cities with a fixed target strategy, continuously expanded the coverage and penetration rate of the government (buyside) and also actively explored the business entry of the enterprise (buyside), in order to expand sustainable income continuously.

During the reporting period, based on the strategic partnership development foundation of “brand, willingness, strength, and trust”, the Group created a new space for the lean outsourcing business market through software factories, which affected the development of digital transformation business based on application services. The Group and domestic leading commercial software platform and comprehensive cloud platform manufacturers jointly innovated the “platform + service” ecological model, built the top-level design of “service productization”, and jointly opened up new market space. Supported by the top ICT infrastructure and smart terminal provider, super-integrator channels such as operators, local governments and state-owned platforms, the Group built, cultivated and accumulated digital consulting and solution service capabilities around its main channel business, reached the digital transformation market of central and state-owned enterprises, and established a new identity of “digital transformation service expert”.

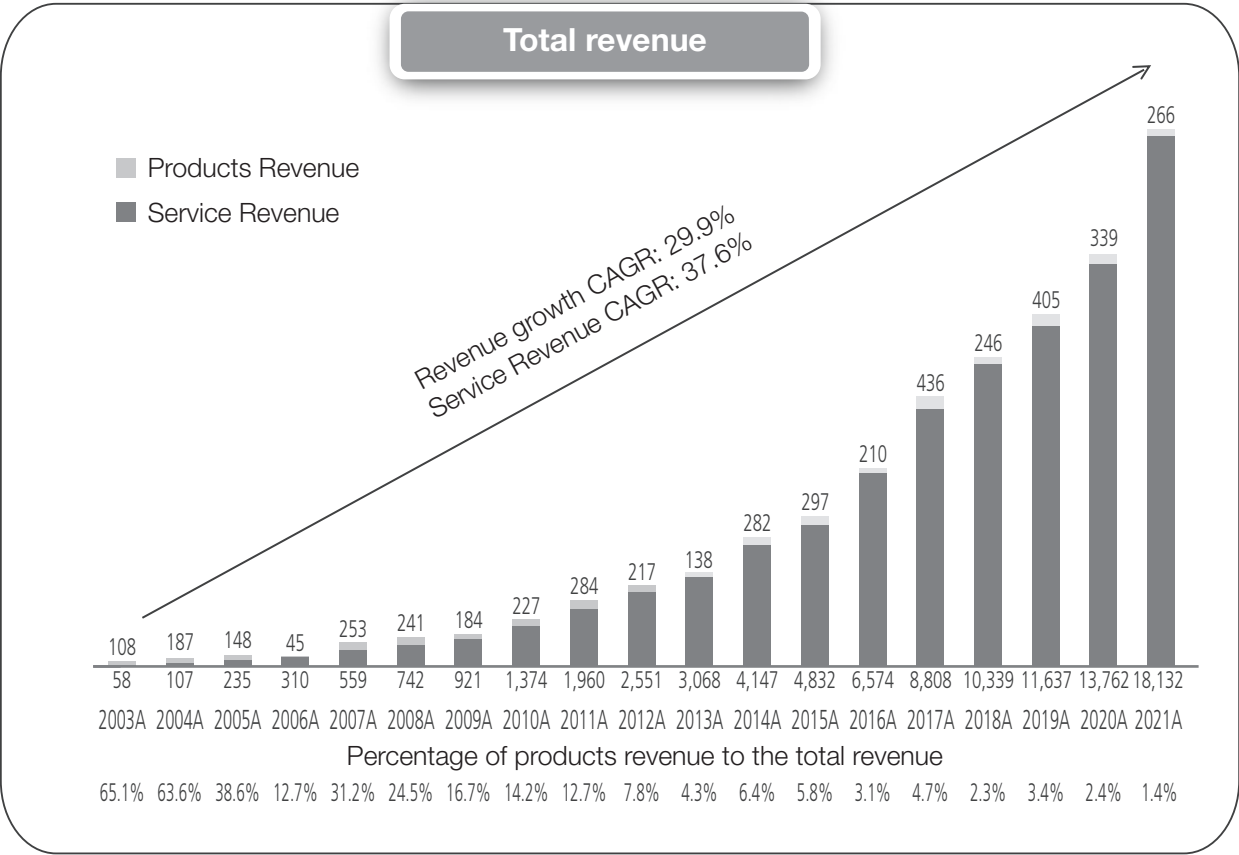
During the reporting period, the Group’s financial business steadily improved, added 29 new clients including domestic and foreign banks, private banks, and overseas financial institutions. The Group continued to conduct research and development in cloud computing, big data, artificial intelligence and other fields, innovate business models, and achieve application product upgrades and technology platform building. During the period, the Group actively participated in the digital renminbi construction of many large state-owned banks, national joint-stock banks, city commercial banks, rural credit cooperatives, and foreign-funded banks, helping clients in the digital renminbi core, channel system, bank front-end, acquiring and various digital renminbi scene construction.

During the reporting period, the Group continued to cultivate the Internet industry, accelerated the penetration of major clients such as Tencent, Ali, Baidu, etc., while maintaining its leading position, continued to expand the clients of well-known Internet companies such as ByteDance, Meituan, JD.com, and in-depth exploration of customer business scenarios, and accumulated excellent practices such as digital operation services.

During the reporting period, the Group followed the market layout of super integrators such as China Mobile, and piloted the establishment of a company-level sales and pre-sales system that supports the sales targets of the government and enterprise markets. The sales organization structure for clients to cooperate with each other. The Group's operator IT service business has grown steadily, made breakthrough of acquiring key clients such as Migu Video, Migu Digital Media, China Telecom Tianyi Telecom Terminal, and CEC Hongxin for the first time, and cooperated with operators to promote 5G To B digital factory solutions, covering Aluminum, steel, mechatronics, transportation and other industries.

Facing the new year, the Group will move forward in the direction of active progression. To seize accurately, advance the layout, promote the "FFW" strategy with greater strength and depth, promote business forms to be based on platform, tool, and code reuse. The Group will make breakthroughs, achieve single-point breakthroughs, focus on attacking fixed targets, quickly establish a market, and continue to make progress towards the goal of becoming a "one of the best" technology-based IT service leader!

Since the Group's listing on the Growth Enterprise Market in 2003, its revenue and service revenue have maintained rapid growth. From 2003 to 2021, the Group recorded CAGR growths of 29.9% and 37.6% for its revenue and service revenue. For details, please see the figure below:



CUSTOMERS

The Group's customers are all over the world, in addition to Greater China, it also includes Asia Pacific, North America, Europe, Latin America and other regions. In the Chinese market, especially in mainstream industries such as finance, Internet, communications, high-tech, and government, it has a large market share. In 2021, the service revenue from the top five customers accounted for 71.3% of the Group's total service revenue, and the service revenue from the top ten customers accounted for 78.2% of the Group's total service revenue.

In 2021, the Group has 2,083 active customers. Among them, the Group has 161 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

MARKET

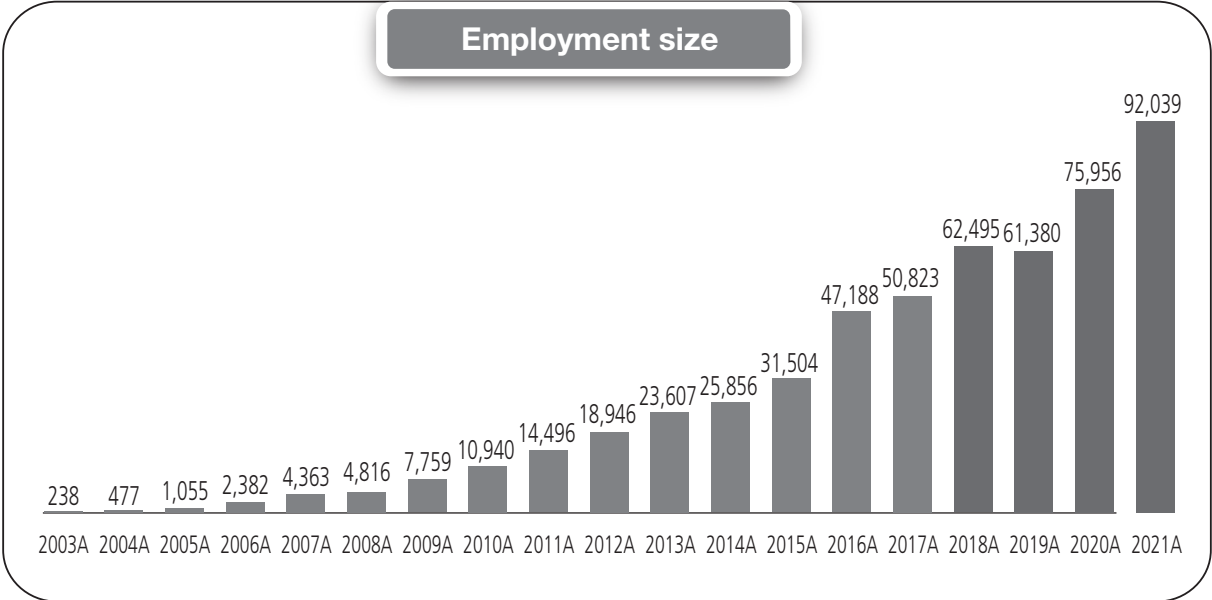
During the reporting period, the Group's business was mainly concentrated in the Greater China region, and the huge market potential in the Greater China region continued to bring growth opportunities to the Group. The Group now has a number of Fortune 500 clients including HSBC, Tencent, Alibaba, Honor, Ping An, China Mobile, Baidu, Microsoft, China Telecom, and other top ICT infrastructure and smart terminal provider etc., and has provided information technology services to customers in 47 countries around the world, accumulating experiences of serving international customers. Taking advantage of the digital "Belt and Road" initiative, the Group will continue to expand overseas based on product cooperation and industry cooperation with the top ICT infrastructure and smart terminal provider, and continue in-depth cooperation based on existing global strategic centers such as China, the United States, Japan, India, Singapore, and Malaysia. With cloud-driven digital transformation services to consolidate the basic layout of global services, the Group is determined to become a Global Chinasoft International, and to build China's global IT influence.

HUMAN RESOURCES

As of the end of 2021, the total number of employees of the Group reached 92,039 (as of the end of 2020, the total number of employees of the Group was 75,956), an increase of 21.2% over the end of 2020. During the reporting period, the average total number of employees for the year was 83,998, an increase of 22.3% over the average number of employees in the same period last year of 68,668.

As of the end of 2021, the number of technical personnel reached 87,401, accounting for 95% of the total number of employees of the Group, including 32,601 project managers, consultants and senior engineers, accounting for 37.3% of the total number of technical personnel of the Group.

Since the Group's listing on the Growth Enterprise Market in 2003, its business continued to develop rapidly, and the scale of personnel has maintained a rapid YoY growth. For details, please see the figure below:



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2020 and 2021:

	2021 <i>RMB'000</i>	% of revenue	% of service revenue	2020 <i>RMB'000</i>	% of revenue	% of service revenue
Revenue	18,398,076	N/A	N/A	14,101,239	N/A	N/A
Service revenue	18,132,013	N/A	N/A	13,762,185	N/A	N/A
Cost of sales and services	<u>(13,493,835)</u>	<u>(73.3%)</u>	<u>(74.4%)</u>	<u>(9,982,755)</u>	<u>(70.8%)</u>	<u>(72.5%)</u>
Gross Profit	4,904,241	26.7%	27.0%	4,118,484	29.2%	29.9%
Other income	419,280	2.3%	2.3%	312,821	2.2%	2.3%
Loss from derecognition of financial assets measured at amortised cost	(5,515)	(0.0%)	(0.0%)	(1,201)	(0.0%)	(0.0%)
Impairment losses, under expected credit loss model, net of reversal	(111,735)	(0.6%)	(0.6%)	(161,384)	(1.1%)	(1.2%)
Impairment loss on goodwill	-	0.0%	0.0%	(21,857)	(0.2%)	(0.2%)
Impairment loss on investment accounted for using the equity method	-	0.0%	0.0%	(15,878)	(0.1%)	(0.1%)
Other gains or losses	151,595	0.8%	0.8%	(14,902)	(0.1%)	(0.1%)
Selling and distribution costs	(943,469)	(5.1%)	(5.2%)	(729,409)	(5.2%)	(5.3%)
Administrative expenses	(1,755,654)	(9.5%)	(9.7%)	(1,301,981)	(9.2%)	(9.5%)
Research and development costs	(1,249,325)	(6.8%)	(6.9%)	(930,169)	(6.6%)	(6.8%)
Other expenses	(47,588)	(0.3%)	(0.3%)	(43,786)	(0.3%)	(0.3%)
Finance costs	(99,557)	(0.5%)	(0.5%)	(151,458)	(1.1%)	(1.1%)
Share of results of investments accounted for using the equity method	<u>(10,196)</u>	<u>(0.1%)</u>	<u>(0.1%)</u>	<u>(24,435)</u>	<u>(0.2%)</u>	<u>(0.2%)</u>
Profit before taxation	1,252,077	6.8%	6.9%	1,034,845	7.3%	7.5%
Income tax expense	<u>(115,387)</u>	<u>(0.6%)</u>	<u>(0.6%)</u>	<u>(86,732)</u>	<u>(0.6%)</u>	<u>(0.6%)</u>
Profit for the year	1,136,690	6.2%	6.3%	948,113	6.7%	6.9%
Profit for the year attributable to the Owners of the Company	<u><u>1,136,911</u></u>	<u><u>6.2%</u></u>	<u><u>6.3%</u></u>	<u><u>954,928</u></u>	<u><u>6.8%</u></u>	<u><u>6.9%</u></u>

REVENUE

In 2021, the Group's revenue was RMB18,398.076 million, representing a YoY growth of 30.5% (2020: RMB14,101.239 million). The Group's service revenue was RMB18,132.013 million, representing a YoY growth of 31.8% (2020: RMB13,762.185 million). The growth was mainly driven by the steady growth of the core large customer business and the rapid growth of cloud intelligent business.

TPG and IIG's revenue and proportion of total revenue in 2021 are as follow:

	2021 <i>RMB'000</i>	Weight	2020 <i>RMB'000</i>	Weight	Growth <i>rate</i>
TPG	16,622,352	90.3%	12,396,429	87.9%	34.1%
IIG	1,775,724	9.7%	1,704,810	12.1%	4.2%
Total	18,398,076	100%	14,101,239	100%	30.5%

COST OF SALES AND SERVICES

In 2021, the Group's cost of sales and services was RMB13,493.835 million, representing a YoY increase of 35.2% (2020: RMB9,982.755 million). The Group's cost of sales and services was 73.3% of the Group's total revenue, representing a YoY increase of 2.5% (2020: 70.8%).

GROSS PROFIT

In 2021, the Group's gross profit was RMB4,904.241 million, representing a YoY growth of 19.1% (2020: RMB4,118.484 million). The Group's gross margin was 26.7%, representing a YoY decrease of 2.5% (2020: 29.2%). The Group's gross margin (to service revenue) was 27.0%, representing a YoY decrease of 2.9% (2020: 29.9%). The fluctuation of the Group's gross profit margin during the reporting period was mainly due to (1) the Group was optimistic about the strategic transformation prospects of major clients, and under the premise of ensuring rapid revenue growth, it sacrificed short-term profits to seize the first mover position and market share; (2) In 2020, the social security provident fund was reduced or exempted, and it returned to normal during the reporting period; (3) The Group increased investment in strategies and new businesses, and increased the reserve of mid-to-high-end technical talents; excluding the above factors, the gross profit margin of the group increased steadily.

In the future, the Group will continue to improve the gross profit margin through the following measures.

1. Vigorously promote the standardized construction of software factories, accumulate large-scale, high-quality, high-efficiency, end-to-end IT service project submission capabilities, comprehensively upgrade traditional IT services, continue to improve service quality and service value, and develop more quality and scale market space.

2. Implement the “FFW” strategy, unite with leading manufacturers and software friends, create a digital transformation expert identity, and enhance value.
3. Continue to increase the proportion of business with high gross profit and high per capita output, focus on the strategy of “Cloudization, Cloud Management the Cloud Native, understanding the cloud, understanding the line and gathering the ecology”, continue to build a full-stack cloud intelligent business and continuously upgrade the business model.
4. Deepen the research and development of the underlying operating system, launch software and hardware products and solutions, and achieve the transformation from a service company to an innovative enterprise with “root technology”.

OTHER INCOME

In 2021, the Group’s other income was RMB419.280 million, representing a YoY increase of 34.0% (2020: RMB312.821 million). The increase of other income during the reporting period was mainly due to the increase of government subsidies compared to last year.

OTHER GAINS OR LOSSES

In 2021, the Group’s other gains were RMB151.595 million (2020: losses of RMB14.902 million). The gains during the reporting period is mainly due to the investment income generated by the Group's disposal of its subsidiary Catapult.

OPERATING EXPENSES

In 2021, the Group’s selling and distribution expenses were RMB943.469 million, representing a YoY increase of 29.3% (2020: RMB729.409 million). The Group’s selling and distribution expenses accounted for 5.1% of the total revenue, representing a YoY decrease of 0.1% (2020: 5.2%).

In 2021, the Group’s administrative expenses were RMB1,755.654 million, representing a YoY increase of 34.8% (2020: RMB1,301.981 million). The Group’s administrative expenses accounted for 9.5% of the total revenue, representing a YoY increase of 0.3% (2020: 9.2%). This was mainly because, on the one hand, the Group further increased investment in office space construction and talent recruitment during the reporting period, on the other hand, share-based payment also increased compared to last year.

In 2021, the Group’s R&D expenses were RMB1,249.325 million, representing a YoY increase of 34.3% (2020: RMB930.169 million). During the reporting period, the main reason for the increase was the Group continued to increase its R&D investment in cloud intelligent business and industrial Internet platforms, which further increased the total R&D expenses. In 2021, the R&D expenses accounted for 6.8% of the total revenue, representing a YoY increase of 0.2% (2020: 6.6%).

FINANCE COSTS AND INCOME TAX

In 2021, the Group's finance costs were RMB99.557 million, representing a YoY decrease of 34.3% (2020: RMB151.458 million). The Group's finance costs accounted for 0.5% of the total revenue, representing a YoY decrease of 0.6% (2020: 1.1%). The decrease in finance costs was because there was interest expense on convertible loan notes in the previous year, but there was no such expense in the current period.

In 2021, the loss from derecognition of financial assets measured at amortized cost was RMB5.515 million, representing a YoY increase of 359.2% (2020: RMB1.201 million).

In 2021, the Group's income tax was RMB115.387 million, representing a YoY increase of 33.0% (2020: RMB86.732 million). The Group's effective income tax rate was 9.2%, representing a YoY increase of 0.8% (2020: 8.4%). The increase in income tax was mainly due to the income tax arising from the sale of the subsidiary Catapult.

OTHER NON-CASH EXPENSES

In 2021, the Group's other expenses were RMB47.588 million, representing a YoY increase of 8.7% (2020: RMB43.786 million). The Group's other expenses accounted for 0.3% of the total revenue, same as last year.

In 2021, the Group's impairment losses under the expected credit model, net reversal was RMB111.735 million, representing a YoY decrease of 30.8% (2020: 161.384 million). This was mainly due to the increase in the uncertainty as the impact of COVID-19 epidemic in 2020, and the Group increased the provision for excepted credit losses based on the principle of appropriateness.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2021, the Group's total available cash balance (the sum of bank balances and cash and pledged deposits) was RMB5,578.368 million (2020: RMB3,815.703 million).

In 2021, the Group's net current assets were RMB9,534.026 million (2020: RMB7,675.755 million). In 2021, the current ratio (current assets divided by current liabilities) was 3.4, a slightly decrease from 3.8 in 2020.

In 2021, the Group's borrowings were RMB1,938.291 million (2020 borrowings: RMB1,789.515 million). Gearing ratio is calculated by dividing the net borrowing amount (borrowing and convertible loan notes minus available cash (bank balance and the sum of cash and pledged deposits)) by total equity. The Group's available cash balances in 2021 and 2020 were both higher than the sum of borrowings and convertible loan notes, resulting in a negative gearing ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2021, the Group's profit was RMB1,136.690 million, representing a YoY growth of 19.9% (2020: RMB948.113 million). The Group's profit accounted for 6.2% of the total revenue, representing a YoY decrease of 0.5% (2020: 6.7%). The Group's profit accounted for 6.3% of the service revenue, representing a YoY decrease of 0.6% (2020: 6.9%).

In 2021, the Group's profit attributable to the owners of the Company was RMB1,136.911 million, representing a YoY growth of 19.1% (2020: RMB954.928 million).

Based on the profit attributable to the owners of the Company, the Group's EPS for 2021 was RMB40.89 cents, representing a YoY increase of 8.0% (2020: RMB37.86 cents).

SEGMENT REVENUE AND RESULTS

In 2021, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2021 RMB'000	2020 RMB'000	Growth Rate	2021 RMB'000	2020 RMB'000	Growth Rate
TPG	16,622,352	12,396,429	34.1%	1,209,519	1,162,191	4.1%
IIG	1,775,724	1,704,810	4.2%	147,939	124,114	19.2%
Total	<u>18,398,076</u>	<u>14,101,239</u>	30.5%	<u>1,357,458</u>	<u>1,286,305</u>	5.5%

In terms of segment revenue, the revenue of TPG represented a YoY increase of 34.1%, the increase was mainly from the growth of core clients businesses such as HSBC, Tencent, Ali, Honor and other top ICT infrastructure and smart terminal provider. The revenue of IIG represented a YoY increase of 4.2%, the increase was mainly due to the growth brought by the Internet platform business of the software industry of JointForce.

In terms of segment results, the results of TPG represented a YoY increase of 4.1%, which was far lower than the increase in revenue, the increase was mainly due to the decline in the gross profit margin of the business during the reporting period and the further increase in R&D investment. The results of IIG represented a YoY increase of 19.2%, the increase was mainly due to the improvement in the gross profit margin of the business and the decrease in provision for bad debt.

The Group believes that the cloud intelligent business, which has been deployed by the company for many years, has entered a stage of rapid development, which will continue to provide impetus for the continuous growth of the Group's future performance and improvement of profit margins.

FUNDRAISING ACTIVITIES

During the current reporting period, the Group had conducted a fund raising activity. The details of the fund raising activity with unutilised proceeds is summarized as below:

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

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

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 31 December 2021	Expected time of utilisation (Note)
Approximately HK\$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Not yet utilized	For the intended use	Before 31 December 2023
Approximately HK\$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Not yet utilized	For the intended use	Before 31 December 2023
Approximately HK\$394 million	For general working capital of the Company	Not yet utilized	For the intended use	Before 31 December 2023

On 18 April 2017 and 18 May 2017, the Group entered into the Subscription Agreement and Supplemental Agreement respectively with Dan Capital Management Ltd. (the “Dan Capital”) pursuant to which the Company has conditionally agreed to issue, and Dan Capital has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK\$900,000,000 due in 2022 (“2017 CN”). On 14 December 2020, a number of 180,000,000 ordinary shares were allotted and issued upon full conversion of 2017 CN.

The 2017 CN was issued on 3 July 2017 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2016. The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 31 December 2021	Expected time of utilisation (Note)
Approximately HK\$600 million	For mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services	(i) Approximately HK\$193 million were used to upgrade new technological capability; (ii) Approximately HK\$407 million were used for merger and acquisitions and establishing an M & A fund to invest in proprietary and reliable business, cloud computing, big data, artificial intelligent, and related industries and associate companies;	–	N/A
Approximately HK\$100 million	For upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	Approximately HK\$100 million were used for upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	–	N/A

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 31 December 2021	Expected time of utilisation (Note)
Approximately HK\$200 million	For replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates	Approximately HK\$200 million were used for replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates	–	N/A

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

CORPORATE GOVERNANCE PRACTICES

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

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

- (i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

- (ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2021 in Hong Kong (the “2020 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the quarantine restrictions against COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2020 AGM;
- (iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2020 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board member who attended the 2020 AGM was available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

COMPETING INTERESTS

As at 31 December 2021, none of the Directors of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the open market a total of 6,932,000 shares of the Company at a total consideration of approximately HK\$71,267,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group’s financial reporting and internal control system. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2021.

During the year from 1 January 2021 to 31 December 2021, the Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie and Dr. Lai Guangrong as the members of the Audit Committee.

The Group’s unaudited interim results and audited annual results during the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK\$0.0323 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2021. The proposed dividend payments from share premium account of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 18 May 2022 at 3:00 p.m.. Upon shareholders’ approval at the upcoming annual general meeting, the proposed final dividend will be paid on Tuesday, 21 June 2022 to shareholders whose names shall appear on the register of members of the Company on Monday, 6 June 2022.

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 May 2022.

- (b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 May 2022.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Wednesday, 18 May 2022 at 3:00 p.m.. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 29 March 2022

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

* *For identification purposes only*