



**SINOSOFT**  
TECHNOLOGY

Sinosoft Technology Group Limited  
中國擎天軟件科技集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1297

**2022**

INTERIM 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. Chan Choo Tee

Mr. Kwauk Teh Ming, Walter

Mr. Zong Ping

### AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter (*Chairman*)

Mr. Chan Choo Tee

Mr. Zong Ping

### REMUNERATION COMMITTEE

Mr. Chan Choo Tee (*Chairman*)

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. Chan Choo Tee (*Chairman*)

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

## LEGAL ADVISOR

Sidley Austin

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

No. 26 Tianpu Road

Jiangpu Street

Pukou District

Nanjing City

Jiangsu

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR  
AND TRANSFER OFFICE**

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

**PRINCIPAL BANKERS**

Shanghai Pudong Development Bank  
China Merchants Bank

**COMPANY WEBSITE**

[www.sinosoft-technology.com](http://www.sinosoft-technology.com)

**STOCK CODE**

1297

# Management Discussion and Analysis

## BUSINESS REVIEW

Since 2022, under complex international and domestic situations such as intensified geopolitical conflicts, rising risks of global stagflation, and repeated outbreaks of COVID-19, the risks and uncertainties in economic development have been increasing, causing the macroeconomy to deviate from the normal growth track, and brought challenges to the Group in the first half of the year. Despite the difficult business environment, the Group has continued to make efforts in research and development (“R&D”) and leveraged its strengths in various major product areas to maintain overall stable revenue.

For the government big data market, due to the increased downward pressure on the economy, government departments gradually reduced spending and halted unnecessary investment. Informatisation budgets were cut, projects were postponed, and the payment cycle was also affected. In addition, the rising labor cost added significant pressure to the Group. Nonetheless, the Group is committed to using its years of experience in government data governance to provide customers with products that meet current needs and that maintained a stable income and market position in government products.

The economic slowdown has an even greater impact on the low carbon and ecology market, coupled with the decelerating pace for carbon neutrality around the world, relevant product demand was hardly seen. In the uncertain market development direction, the Group strived to explore different strategies and continued to optimize existing products and sales to prepare for the future market.

## REVENUE

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB 203.9 million, representing an approximately 1.4% decrease when compared to approximately RMB 206.7 million for the corresponding period in 2021, mainly attributable to the decrease in revenue generated from low carbon & ecology software and related services.

### Government Big Data Software and Related Services

For the six months ended 30 June 2022, revenue generated from government big data software and related services amounted to approximately RMB 193.4 million, representing an increase of approximately 13.4% when compared to approximately RMB 170.6 million for the corresponding period in 2021. Market demand for relevant products remained stable during the six months ended 30 June 2022.

### Low Carbon & Ecology Software and Related Services

For the six months ended 30 June 2022, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 10.5 million, representing a decrease of approximately 70.9% when compared to approximately RMB 36.1 million for the corresponding period in 2021, mainly due to the decreased demand for low carbon & ecology products under the challenging economic environment.

## **COST OF SALES**

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing systems and components for some of its projects. For the six months ended 30 June 2022, the Group's cost of sales was approximately RMB 132.2 million, representing a decrease of approximately 8.3% when compared to approximately RMB 144.3 million for the six months ended 30 June 2021, mainly due to the decrease in costs spent on purchasing systems and components.

## **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 six months ended 30 June 2022, the segment results of the Group recorded approximately RMB 16.9 million, representing a decrease of approximately 22.8% as compared to approximately RMB 21.9 million for the six months ended 30 June 2021.

The segment results margin of the Group was approximately 8.3% for the six months ended 30 June 2022, representing a decrease from approximately 10.6% for the six months ended 30 June 2021.

## **RESEARCH AND DEVELOPMENT COSTS**

For the six months ended 30 June 2022, the Group's R&D costs amounted to approximately RMB 54.8 million, representing an increase of approximately 34.9% as compared to approximately RMB 40.6 million for the six months ended 30 June 2021, mainly attributable to the increased investments in developing future products for long-term growth and the increased in amortisation of other software.

## **OTHER INCOME AND GAINS**

For the six months ended 30 June 2022, the Group's other income and gains was approximately RMB 26.4 million, which was an increase from approximately RMB 10.4 million for the six months ended 30 June 2021. The increase was mainly due to the gain on disposal of a subsidiary was recorded during the six months ended 30 June 2022. Details of the disposal are set out in Note 9 to the condensed consolidated financial statements contained in this interim report.

## **OTHER EXPENSES AND LOSSES**

For the six months ended 30 June 2022, the Group's other expenses and losses amounted to approximately RMB 3.6 million, which was decreased from approximately RMB 5.4 million for the six months ended 30 June 2021, mainly due to the moderate decrease in additional impairment on trade receivables during the six months ended 30 June 2022 as compared with that in corresponding prior period.

### DISTRIBUTION AND SELLING EXPENSES

For the six months ended 30 June 2022, the Group's distribution and selling expenses was approximately RMB 12.6 million, representing an increase from approximately RMB 10.1 million for the six months ended 30 June 2021, mainly attributable to the expansion of markets outside Jiangsu Province during the six months ended 30 June 2022.

### GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2022, the Group's general and administrative expenses was approximately RMB 18.0 million, representing a significant decrease from approximately RMB 45.4 million for the six months ended 30 June 2021. The decrease was mainly due to the absence of cost incurred by the grant of awarded shares to certain employees during the six months ended 30 June 2022.

### INCOME TAX EXPENSE

For the six months ended 30 June 2022, the Group's income tax expense was approximately RMB 5.8 million, as compared to the income tax credit of approximately RMB 1.5 million for the six months ended 30 June 2021, mainly due to the deferred tax charge recorded during the six months ended 30 June 2022.

### PROFIT AND TOTAL COMPREHENSIVE INCOME

For the six months ended 30 June 2022, the Group recorded a profit and total comprehensive income of approximately RMB 2.5 million, as compared to a loss and total comprehensive expense of approximately RMB 28.6 million for the six months ended 30 June 2021.

### NET CURRENT ASSETS

As at 30 June 2022, the Group had net current assets of approximately RMB 1,475.5 million (31 December 2021: RMB 1,481.9 million).

### FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2022, the Group's primary source of funding came from cash generated from its operating activities. During the six months ended 30 June 2022, the Group recorded a net cash inflow from operating activities amounted to approximately RMB 22.3 million (30 June 2021: net cash outflow of approximately RMB 8.5 million). As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB 96.5 million (31 December 2021: RMB 201.4 million).

As at 30 June 2022, the Group has bank borrowings of RMB 20 million (31 December 2021: RMB 20 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 1.0% (31 December 2021: 1.0%). The Group's borrowings were all denominated in RMB and the bank borrowings carry interest at a fixed rate of 3.80% (31 December 2021: 3.85%).

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. Relevant policies on capital risk management and financial instruments have no material changes from the disclosure in the Group's annual report for the year ended 31 December 2021 (the "2021 Annual Report"). Please refer to Notes 20, 25, 29 and 36 to the consolidated financial statements of the Group's 2021 Annual Report for more details.

### CONTINGENT LIABILITIES

Details in relation to contingent liabilities of the Group as at 30 June 2022 are set out in Note 23 to the condensed consolidated financial statements. Save as disclosed, the Group has no significant contingent liabilities as at 30 June 2022.

### INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. For the six months ended 30 June 2022, the increase in intangible assets of approximately RMB 9.5 million was mainly attributable to the addition to capitalised software costs of approximately RMB 61.2 million (30 June 2021: RMB 40.6 million) and the addition to purchased software of RMB 55.6 million (30 June 2021: RMB 70.0 million) less the amortisation charges for the six months ended 30 June 2022.

### HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 488 employees (31 December 2021: 507). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme 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 11 to 14 of this interim 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 and expose the Group to foreign currency risk.

During the six months ended 30 June 2022, the Group recorded an exchange gain of approximately RMB 96,000 (30 June 2021: exchange loss of approximately RMB 122,000). This exchange gain was a result of the depreciation of RMB against the USD and HKD during the six months ended 30 June 2022.

No currency hedging arrangements were made as at 30 June 2022. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

### CHARGE ON ASSETS

As at 30 June 2022 and 31 December 2021, certain bank deposits of the Group were pledged to secure banking facilities for issuance of bank acceptance notes against bills payables to suppliers. For details, please refer to Note 20 to the consolidated financial statements of the Group's 2021 Annual Report.

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2022, the Group did not have any significant investments.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is continuously on the look-out for material investments that can add value to the Group. As at 30 June 2022, the Group did not have plans for material investments or capital assets.

### EVENTS AFTER THE REPORTING PERIOD

The Group has no material events subsequent to 30 June 2022 and up to the date of this interim report.

### OUTLOOK

Looking ahead, in the face of the increasing severe market situation, the Group will continue to commit to R&D, try to make breakthroughs and find new ways for growth on the one hand; and expand the use of artificial intelligence and other technologies to improve the efficiency of R&D, so as to reduce the pressure on labor costs on the other hand.

In the field of government big data, the trend of normalization of pandemic has increased the demand for remote services by government departments, and they are more willing to invest in the purchase of remote self-service equipment to maintain government service capabilities while avoiding crowding. The Group will continue to intensify the research and innovation of integrated remote service equipment, so as to promote a thorough integration of software products and hardware equipment in the markets such as judicial and social governance, to open up new opportunities in existing fields, and enhance the competitive advantage of the Group's government products. In addition, the Group will continue its effort in traditional businesses such as judicial and grid-based products, in order to maintain stable revenue contributions through system upgrades and operation and maintenance.

In the area of low carbon ecology, the Group will continue to closely monitor policy development, research on product direction and positioning under the new business environment, and aim to provide city carbon emission data analysis and management for more government customers.

## INTERIM DIVIDEND

The board (the “Board”) of directors (the “Director(s)”) of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, interests or short positions in the shares of the Company (the “Share(s)”), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (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 taken 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) are as follows:

Name of Director	Personal interests	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 30 June 2022, the Company had 1,222,384,600 shares in issue.
- (2) The letter “L” denotes the person’s long position in such securities.
- (3) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.
- (4) These Shares are held by Telewise Group Limited which is 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.

## Other Information

Save as disclosed above, none of the Directors, or chief executives of the Company and/or any of their respective associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any of its associated corporations as at 30 June 2022, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2022, the persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

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

## Notes:

- (1) As at 30 June 2022, the Company had 1,222,384,600 shares in issue.
- (2) The letter “L” denotes the person’s long position in such securities.
- (3) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.
- (4) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.
- (5) Alibaba.com Investment Holding Limited is wholly-owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.
- (6) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company’s announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

Save as disclosed above, as at 30 June 2022, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## 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 recognise 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 interim report:**

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

As at the date of this interim 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 six months ended 30 June 2022, no option was granted or agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme. The remaining life of the Share Option Scheme is ten months.

## **SHARE AWARD SCHEME**

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

- (i) to 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) to attract suitable personnel for further development of the Group; and
- (iii) to 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.

## Other Information

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, ARK Trust (Hong Kong) Limited (the “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 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 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.

During the six months ended 30 June 2022, no Shares have been granted or agreed to be granted to any Eligible Participants under the Share Award Scheme. As at 30 June 2022 and 31 December 2021, there were no outstanding shares held under the Share Award Scheme.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 to the Listing Rules as its corporate governance code of practices. Save for the deviation of the code provision C.2.1 disclosed as below, the Company has complied with all of the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2022.

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

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

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 11 June 2013 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Chan Choo Tee, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Mr. Kwauk Teh Ming, Walter serving as chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process to develop and renew its policies and practices on corporate governance and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed the report prepared by the Group's internal audit department on its internal control policies and procedures, including the internal control procedures of the foreign exchange and other investment transactions for the six months ended 30 June 2022.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1.2 of the CG Code. The Remuneration Committee consists of one executive Director, being Mr. Su Hui and two independent non-executive Directors, being Mr. Chan Choo Tee and Mr. Kwauk Teh Ming, Walter, with Mr. Chan Choo Tee serving as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding the Group's policy and structure for the remuneration of all Directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policies concern; (ii) determining the terms of the remuneration packages of its Directors and senior management; (iii) reviewing and approving management's remuneration proposals with reference to corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

## NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 11 June 2013 with written terms of reference in compliance with code provisions A.5.1 and A.5.2 of the CG Code. The Nomination Committee consists of one executive Director, being Ms. Xin Yingmei, and two independent non-executive Directors, being Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Ms. Xin Yingmei serving as the chairlady of the Nomination Committee. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

## INVESTMENT MANAGEMENT COMMITTEE

The Company has established an investment management committee (the “Investment Management Committee”) on 31 October 2012. The Investment Management Committee consists of three independent non-executive Directors, namely, Mr. Chan Choo Tee, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Mr. Chan Choo Tee serving as the chairman of the Investment Management Committee. The primary function of the Investment Management Committee is to 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.

## CHANGE IN INFORMATION REGARDING DIRECTORS ACCORDING TO RULE 13.51B(1) OF THE LISTING RULES

There is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B (1) of the Listing Rules since the publication of the 2021 Annual Report of the Company.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 30 June 2022. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the six months ended 30 June 2022.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2022 has been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included on pages 17 to 18 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2022 and this interim report have also been reviewed by the Audit Committee.

By Order of the Board  
SinoSoft Technology Group Limited  
Xin Yingmei  
Chairlady

Hong Kong, 29 August 2022

# Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF SINOSOFT TECHNOLOGY GROUP LIMITED  
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sinosoft Technology Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Report on Review of Condensed Consolidated Financial Statements

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 29 August 2022

**Choi Kwong Yu**

Practising certificate number P05071

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	NOTE	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	203,876	206,716
Value-added tax refund		—	2
Cost of sales		(132,233)	(144,263)
Research and development costs		(54,754)	(40,590)
Other income and gains	5	26,350	10,361
Other expenses and losses	6	(3,645)	(5,439)
Distribution and selling expenses		(12,550)	(10,051)
General and administrative expenses		(17,964)	(45,420)
Finance costs		(832)	(1,479)
<b>Profit/(loss) before taxation</b>	7	<b>8,248</b>	<b>(30,163)</b>
Income tax (expense)/credit	8	(5,762)	1,528
<b>Profit/(loss) and total comprehensive income/(expense) for the period</b>		<b>2,486</b>	<b>(28,635)</b>
<b>Profit/(loss) and total comprehensive income/(expense) for the period attributable to:</b>			
— Owners of the Company		3,321	(28,168)
— Non-controlling interests		(835)	(467)
		<b>2,486</b>	<b>(28,635)</b>
		<b>RMB cents (unaudited)</b>	<b>RMB cents (unaudited)</b>
<b>Earnings/(loss) per share</b>			
— Basic and diluted	10	<b>0.27</b>	<b>(2.30)</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2022

	NOTE	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	82,941	83,923
Right-of-use assets	12	13,047	13,228
Intangible assets	13	353,068	343,576
Restricted bank deposits		28,160	28,160
Pledged bank deposits		491	491
Time deposits with original maturities over three months		80,000	70,000
Financial assets at fair value through profit or loss	14	—	—
		<b>557,707</b>	<b>539,378</b>
<b>CURRENT ASSETS</b>			
Inventories		1,091	968
Trade and other receivables	15	1,514,103	1,491,309
Amount due from a related company		25,811	—
Pledged bank deposits		999	2,019
Bank balances and cash		96,521	201,399
		<b>1,638,525</b>	<b>1,695,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	62,957	84,020
Other payables		78,213	92,524
Contract liabilities		1,829	16,372
Borrowings	18	20,000	20,000
Tax liabilities		30	883
		<b>163,029</b>	<b>213,799</b>
<b>NET CURRENT ASSETS</b>		<b>1,475,496</b>	<b>1,481,896</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,033,203</b>	<b>2,021,274</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	19	82,948	77,207
<b>NET ASSETS</b>		<b>1,950,255</b>	<b>1,944,067</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	9,876	9,876
Reserves		1,940,379	1,937,058
Equity attributable to owners of the Company		1,950,255	1,946,934
Non-controlling interests		—	(2,867)
<b>TOTAL EQUITY</b>		<b>1,950,255</b>	<b>1,944,067</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

## Equity attributable to owners of the Company

	PRC		Share held under			Non-controlling		Total	
	Share capital	statutory reserve	Capital reserve	Share premium	share award scheme	Accumulated profits	interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (audited)	9,876	133,663	2,627	257,539	(38,717)	1,784,535	2,149,523	(2,074)	2,147,449
Loss and total comprehensive expense for the period	-	-	-	-	-	(28,168)	(28,168)	(467)	(28,635)
Dividends (Note 11)	-	-	-	-	-	(245,088)	(245,088)	-	(245,088)
Share award granted (Note 21(b))	-	-	-	-	38,717	(12,024)	26,693	-	26,693
At 30 June 2021 (unaudited)	<u>9,876</u>	<u>133,663</u>	<u>2,627</u>	<u>257,539</u>	<u>-</u>	<u>1,499,255</u>	<u>1,902,960</u>	<u>(2,541)</u>	<u>1,900,419</u>
At 1 January 2022 (audited)	9,876	133,663	2,627	257,539	-	1,543,229	1,946,934	(2,867)	1,944,067
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	-	-	3,321	3,321	(835)	2,486
Capital injection by non-controlling interests	-	-	-	-	-	-	-	4,000	4,000
Disposal of a subsidiary (Note 9)	-	-	-	-	-	-	-	(298)	(298)
At 30 June 2022 (unaudited)	<u>9,876</u>	<u>133,663</u>	<u>2,627</u>	<u>257,539</u>	<u>-</u>	<u>1,546,550</u>	<u>1,950,255</u>	<u>-</u>	<u>1,950,255</u>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash generated from/(used in) operating activities		22,347	(8,474)
<b>Investing activities:</b>			
Interest received		2,265	7,512
Purchase of property, plant and equipment		(2,886)	(951)
Increase in prepayment for purchase of intangible assets		—	(27,181)
Payment for the cost incurred of intangible assets		(116,802)	(110,584)
Net cash outflow on disposal of a subsidiary	9	(4,086)	—
Placement of pledged bank deposits		—	(817)
Release of pledged bank deposits		1,020	—
Placement of time deposits with original maturities over three months		(10,000)	—
<b>Net cash used in investing activities</b>		<b>(130,489)</b>	<b>(132,021)</b>
<b>Financing activities:</b>			
Dividends paid		—	(245,088)
Repayment of borrowings		(20,000)	(30,000)
New bank loan raised		20,000	20,000
Interest paid		(832)	(1,479)
Capital injection by non-controlling interests		4,000	—
<b>Net cash generated from/(used in) financing activities</b>		<b>3,168</b>	<b>(256,567)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(104,974)</b>	<b>(397,062)</b>
Cash and cash equivalents at beginning of the period		201,399	694,258
Effect of foreign exchange rate changes		96	(122)
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>		<b>96,521</b>	<b>297,074</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 1. GENERAL AND BASIS OF PREPARATION

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. 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts of fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

The condensed consolidated financial statements are unaudited, but has been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

#### Application of amendments to IFRSs for the current period

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

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

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION –

*continued*

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

#### Segment revenue

	Six months ended 30 June 2022 (unaudited)		
	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Sales of software product	190,547	10,505	201,052
Sales of hardware product	2,654	–	2,654
Service income	170	–	170
<b>Total</b>	<b>193,371</b>	<b>10,505</b>	<b>203,876</b>
<b>Timing of revenue recognition</b>			
At point of time	193,201	10,505	203,706
Over time	170	–	170
<b>Total</b>	<b>193,371</b>	<b>10,505</b>	<b>203,876</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION – *continued*

#### Segment revenue – *continued*

	Six months ended 30 June 2021 (unaudited)		
	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Sales of software product	163,045	36,148	199,193
Sales of hardware product	7,452	—	7,452
Service income	71	—	71
<b>Total</b>	<b>170,568</b>	<b>36,148</b>	<b>206,716</b>
<b>Timing of revenue recognition</b>			
At point of time	170,497	36,148	206,645
Over time	71	—	71
<b>Total</b>	<b>170,568</b>	<b>36,148</b>	<b>206,716</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION –

*continued*

Segment revenue – *continued*

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Segment results</b>		
– Government big data software and related services	34,666	17,461
– Low carbon & ecology software and related services	(17,777)	4,404
<b>Total segment results</b>	<b>16,889</b>	<b>21,865</b>
Other income and gains	26,350	10,361
Other expenses and losses	(3,645)	(5,439)
Distribution and selling expenses	(12,550)	(10,051)
General and administrative expenses	(17,964)	(45,420)
Finance costs	(832)	(1,479)
Profit/(loss) before taxation	8,248	(30,163)
Income tax (expense)/credit	(5,762)	1,528
Profit/(loss) and total comprehensive income/(expense) for the period	<b>2,486</b>	<b>(28,635)</b>

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

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.

#### 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 4. RESULTS FOR THE PERIOD

The sales of government big data software and related services and low carbon & ecology software and related services are seasonal, with sales generally being lower in the first half of the year than in the second half. There are a number of factors that cause these variations, but the primary factor is that the major customers of the Group, i.e. PRC government agencies, tend to conclude contracts in the second half of the year in accordance with their financial budgets approval procedures.

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Gain on disposal of a subsidiary (Note 9)	22,851	—
Interest income	2,265	7,512
Government grants (Note (a))	229	1,462
Others (Note (b))	1,005	1,387
	<u>26,350</u>	<u>10,361</u>

Note (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.

Note (b): For the six months ended 30 June 2022, others included rental income of RMB 831,000 (six months ended 30 June 2021: RMB 1,213,000) from a related company, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited (“Quan Shui Tong”), which Ms. Xin Yingmei (“Ms. Xin”) chairlady of the Company, has a common control.

### 6. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Impairment on trade receivables (Note 16)	3,594	5,187
Net foreign exchange (gains)/losses	(96)	122
Others	147	130
	<u>3,645</u>	<u>5,439</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Depreciation of property, plant and equipment	3,741	3,493
Depreciation of right-of-use assets	181	31
Amortisation of intangible assets:		
– Amortisation of capitalised software costs (included in cost of sales)	54,467	48,312
– Amortisation of other software (included in research and development costs)	52,843	39,159
	<u>111,232</u>	<u>90,995</u>
Finance costs – interests paid	832	1,479
Research and development costs recognised as an expense	54,754	40,590
Cost of inventories recognised as an expense	<u>75,516</u>	<u>83,588</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	21	1,756
Deferred tax	5,741	(3,284)
	<u>5,762</u>	<u>(1,528)</u>

Note:

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

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:

- On 31 October 2014, Nanjing Skytech Co., Limited (“**Nanjing Skytech**”) obtained “High-tech Enterprise” certificates. Accordingly, the applicable income tax rate for 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 and 2020. During the year ended 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% (six months ended 30 June 2021: 10%) for the current period.

- The applicable EIT rate for Zhenjiang Skyinformation Co., Limited, Jiangsu Skytech Investment Management Co., Limited (“**Jiangsu Skytech Investment**”), Qingdao Skytech Software Co., Limited, Nanjing Aisita Real Estate Co., Limited and Jiangsu Skytech Industrial Internet Co., Limited (“**Industrial Internet**”) were 25% for the six months ended 30 June 2022 and 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 9. DISPOSAL OF A SUBSIDIARY

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u>3,321</u>	<u>(28,168)</u>

  

	Six months ended 30 June	
	2022 '000	2021 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>1,222,385</u>	<u>1,222,385</u>

For the periods ended 30 June 2022 and 2021, dilutive earnings/(loss) per share has not been calculated as there were no potential dilutive shares outstanding.

### 11. DIVIDENDS

During the six months ended 30 June 2022, no final dividend for the year ended 31 December 2021 was proposed by the Company's directors on 28 March 2022. The directors did not recommend payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB nil).

During the six months ended 30 June 2021, a final dividend for the year ended 31 December 2020 amounting to RMB 20.05 cents per share was proposed by the Company's directors on 29 March 2021, and subsequently approved at the annual general meeting of the Company held on 26 May 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, there was no disposal of plant and machinery (six months ended 30 June 2021: gain on disposal of RMB 5,000).

In addition, during the six months ended 30 June 2022, the Group paid RMB 2,886,000 (six months ended 30 June 2021: RMB 951,000) for certain new electrical and office equipment.

During the six months ended 30 June 2022 and 30 June 2021, the Group had not entered into new lease agreements. Short-term lease payments of RMB nil (six months ended 30 June 2021: RMB 320,695) were made during the period.

### 13. INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group incurred the additions of cost at approximately RMB 116,802,000 (six months ended 30 June 2021: RMB 110,584,000) which represented the capitalised software costs generated internally amounting to approximately RMB 61,183,000 (six months ended 30 June 2021: RMB 40,582,000) and other purchased software amounting to approximately RMB 55,619,000 (six months ended 30 June 2021: RMB 70,002,000) for the new software product development.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Unlisted equity securities	—	—

The balance represents 4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Limited 江蘇賽聯信息產業研究院股份有限公司 (“Cyberunion”), a private entity established in the PRC. As at 30 June 2022 and 31 December 2021, the directors of the Company are of the opinion that the fair value of Cyberunion is zero in view of it was still in the process of voluntary winding up with no residual value is expected. The details of measurement and changes in fair value is described in Note 24.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade receivables:		
Third parties	1,342,808	1,326,083
Less: Allowance for credit losses	(35,123)	(31,529)
	<u>1,307,685</u>	<u>1,294,554</u>
Other receivables:		
Prepayments to suppliers	194,943	175,976
Deposits	6,650	6,633
Advances to employees	2,257	1,738
Others	2,568	12,408
	<u>1,514,103</u>	<u>1,491,309</u>

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 rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
0 to 60 days	155,052	282,919
61 to 90 days	7,237	1,302
91 to 180 days	5,716	5,417
181 to 365 days	221,564	107,633
Over 1 year but less than 2 years	88,715	279,788
Over 2 years	829,401	617,495
	<u>1,307,685</u>	<u>1,294,554</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	<u>3,594</u>	<u>5,187</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

### 17. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
0 to 90 days	54,041	46,089
91 to 180 days	1,653	2,322
181 to 365 days	3,500	28,662
Over 1 year	3,763	6,947
	<u>62,957</u>	<u>84,020</u>

The 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 18. BORROWINGS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Guaranteed bank borrowings	<u>20,000</u>	<u>20,000</u>

The bank borrowings carry interest at fixed rate of 3.80% (31 December 2021: 3.85%) per annum and is repayable within one year.

As at 30 June 2022, the bank borrowings were guaranteed by personal guarantee of Ms. Xin, Chairlady of the Company with maximum amount of RMB 20,000,000 (31 December 2021: corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company with maximum amount of RMB 70,000,000).

### 19. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the six months ended 30 June 2022 and the year ended 31 December 2021:

	Expected credit losses provision RMB'000	Undistributed profits of subsidiaries RMB'000	Capitalised software costs RMB'000	Total RMB'000
At 1 January 2021 (audited)	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 and 1 January 2022 (audited)	<u>3,152</u>	<u>(61,462)</u>	<u>(18,897)</u>	<u>(77,207)</u>
Credit/(charge) to profit or loss	<u>359</u>	<u>(6,000)</u>	<u>(100)</u>	<u>(5,741)</u>
At 30 June 2022 (unaudited)	<u>3,511</u>	<u>(67,462)</u>	<u>(18,997)</u>	<u>(82,948)</u>

Under the PRC enterprise income law, a 10% withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Singapore, a preferential rate of 5% will be applied where appropriate. As at 30 June 2022 and 31 December 2021, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 19. DEFERRED TAX – *continued*

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.

### 20. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	Number of shares '000	RMB'000
Authorised shares of HKD 0.01 each: At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	<u>8,000,000</u>	<u>59,128</u>
Issued and fully paid shares of HKD 0.01 each: At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	<u>1,222,385</u>	<u>9,876</u>

### 21. 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.

As at 30 June 2022 and 31 December 2021, no option has been granted under the Share Option Scheme since its adoption date.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 21. 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 objectives 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 share with a sum of up to HKD 40,000,000 (equivalent to RMB 35,780,000) before they are vested and transferred to the Eligible Participants. The trustee purchases the Company’s share 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 HKD 13,700,000 (equivalent to approximately RMB 12,255,000) and HKD 26,300,000 (equivalent to approximately RMB 23,396,000) (the “**First Contributed Amount**”) respectively.

Pursuant to the Company’s announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD 50,000,000 (equivalent to approximately RMB 44,131,000) for the purchase Company’s ordinary shares through the Trustee to be awarded to the 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 HKD 37,398,000 (equivalent to approximately RMB 31,795,000) and HKD 9,999,000 (equivalent to approximately RMB 8,098,000) respectively.

**21. SHARE-BASED PAYMENT TRANSACTIONS – continued****(b) Share Award Scheme – continued**

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 HKD 43,533,600 (equivalent to approximately RMB 36,827,000), taking into account of the average closing price of HKD 2.72 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.

For the six months ended 30 June 2022, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to the Share Award Scheme. As at 30 June 2022 and 31 December 2021, there were no outstanding shares held under the Share Award Scheme.

**22. 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 period were as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short-term benefits	2,128	2,387
Retirement benefits scheme contributions	92	87
	<u>2,220</u>	<u>2,474</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 22. RELATED PARTY TRANSACTIONS – *continued*

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Quan Shui Tong (Note)		
– Rental income from a related company	<u>831</u>	<u>1,213</u>

Note: Quan Shui Tong is a related company of which Ms. Xin has a common control.

### 23. 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 condensed consolidated financial statements at 30 June 2022 and in prior years.

### 23. CONTINGENT LIABILITIES – *continued*

Based on the aforesaid, the Company might still be liable for damages 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.

### 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### 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 values 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), as well as the level of the fair value hierarchy into which the fair value measurement are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued*

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable input
	30 June 2022 (unaudited)	31 December 2021 (audited)			
Unlisted equity investments	4% equity investment in Cyberunion valued at RMB nil	4% equity investment in Cyberunion valued at RMB nil	Level 3	Asset-based approach	N/A

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

There is no movement in the balance of Level 3 fair value measurement during the six months ended 30 June 2022 and 2021.

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

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 30 June 2022 and 31 December 2021.