



Interim Report **2014**



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei (*Chairlady*)
Mr. Yu Yifa

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter (*Chairman*)
Mr. Kang Choon Kiat
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat (*Chairman*)
Mr. Kwauk Teh Ming, Walter
Mr. Yu Yifa

NOMINATION COMMITTEE

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

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat (*Chairman*)
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Yu Yifa
Dr. Ngai Wai Fung

COMPANY SECRETARY

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

COMPLIANCE ADVISER

TC Capital Asia Limited
Suite 1904, 19th Floor, Tower 6
The Gateway, Harbour City
9 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

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

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Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the first half of 2014, the economy of the PRC maintained at a comparatively moderate growth rate of 7.4%, yet, spending on information technology industry has not slowed down. In the backdrop determination of the central government of the PRC for information technology, government agencies and private enterprises are enthusiastic to pursue software and information technology solutions that can enhance their efficiency. Leveraging on the Group's competitive edges in its key business segments, solid results were achieved in the first half of 2014 with healthy year-on-year growth across its revenues, earnings and cashflow.

REVENUE

The sales of the Group rose by 27.7% to approximately RMB132.8 million during the six months ended 30 June 2014 when compared to approximately RMB104.0 million for the six months ended 30 June 2013. During the first half of 2014, the Group's core business segments, namely, export tax software and related services, e-Government solutions and carbon management solutions continued to record strong increases in revenue. As the Group's focus is in the software business which generates higher profit margin, less attention was paid to the system integration solutions segment, which is the supplementary hardware services. As a result, segment results margin increased in the first half of 2014.

Export Tax Software and Related Services

During the six months ended 30 June 2014, revenue generated from export tax software and related services surged by 42.9% to RMB42.0 million year-on-year. This is attributable to the resilient demand across the segment's software products, consultation services and training courses.

In the period under review, the PRC government continued to impose stringent export tax examination to regulate the market for future healthy growth. To enhance liquidity, accuracy of export tax applications became more and more important to export enterprises. On top of the original software products which help exporters to apply export tax rebate efficiently and accurately, the Group launched a new value-added product in the first half of 2014, with functions of self-risk assessment. This new product helped to contribute to the increase in sales of the Group's software products.

Leveraging on the knowledge and experience accumulated by being in the export tax industry for more than a decade, the Group provided more in-depth consultation services and training courses focusing on export tax planning. Despite the complexity of export tax regulations and the frequently imposed new polices, the Group's professional knowledge helped export enterprises to enhance their financial and taxation management. The Group's position in export tax industry is indeed not only a software products provider, but also a consulting agency, which export enterprises are willing to spend continuously for its professional services.

With the widely recognized professional status, the Group's training courses continued to receive increasing attention by export enterprises and achieved over RMB10 million of revenue for the six months ended 30 June 2014, as compared to approximately RMB7 million for the six months ended 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

e-Government Solutions

During the six months ended 30 June 2014, revenue generated from e-Government solutions increased 37.6% to RMB58.6 million year-on-year, attributable to government's increasing attention on information technology so as to enhance the transparency and efficiency of the administration, as well as communication among different government agencies, citizens and private enterprises.

In the period under review, the Group has significantly intensified its competencies in applying big data technology, and expanded to new areas of e-Government solutions. Among others, the Group launched a cloud platform for the service industry, which provides online services and analysis in material projects, capital introductions and management of innovative corporations etc., for different administrative levels including province, city and county. The platform regulates the service industry, provides integrated services and enhances decision making. Also, the connection with many service enterprises through this platform is expected to translate into opportunities for the Group in providing consultation services and information products to the enterprise end.

In addition, the Group's cloud platform can help in community management, which makes use of big data analysis and cloud technology to analyse information from different departments related to public security, closely monitors security level throughout the city and provides advices in community management. On the other hand, leveraging on the extensive experience in developing solutions in relation to judiciary industry, the comprehensive judiciary management platform developed by the Group helps to horizontally connect between different judiciary departments, as well as vertically between the judiciary system with citizens, and enhanced the communication and management.

Carbon Management Solutions

During the six months ended 30 June 2014, revenue generated from carbon management solutions increased 39.4% to RMB10.9 million year-on-year, attributable to the growing attention in energy saving, carbon emission control and environmental protection across China.

The Group's carbon management solutions are developed to audit and generate digital reports on carbon emission level for city districts, heavy energy consumption industries and corporations. With the use of technology such as Internet of Things, Geographic Information System and Business Intelligence, the solutions are able to conduct real-time monitoring of carbon emission data sources, and in return, are able to help provide advanced functions on management, analysis and application. In the period under review, the Group completed a carbon reporting platform for key heavy consumption industries, which further establishes the Group's leading capability in carbon audit software for enterprises and industries, and is expected to contribute to more business opportunities for the Group in the future.

The Group is devoted to the consolidation of information on energy and environmental protection with a target to establish an ecology cloud platform. After the reporting period, the Group announced its cooperative framework agreement with CECEP Consulting Co Ltd. ("CECEP"), to jointly develop consultation services and information products for low carbon and environmental protection. The cooperation is expected to further enhance the Group's competencies in these relevant areas.

MANAGEMENT DISCUSSION AND ANALYSIS

System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementing service to the Group's other solutions so as to provide a total solutions service to the Group's customers. During the six months ended 30 June 2014, as less customers requested for system integration solutions, revenue generated from this segment registered RMB21.3 million, as compared to RMB24.2 million for the six months ended 30 June 2013.

COST OF SALES

The Group's cost of sales is made up of the costs to purchase system and components for the Group's system integration projects as well as the amortization of capitalized software cost. The reason for the slight increase in cost of sales from approximately RMB34.2 million for the six months ended 30 June 2013 to RMB35.5 million for the six months ended 30 June 2014 even though revenue has increased significantly is because there was a slight increase in the amortization of capitalized software.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund less cost of sales and research and development costs) grew by approximately 37.3% to approximately RMB82.0 million for the six months ended 30 June 2014 from approximately RMB59.7 million for the six months ended 30 June 2013. The increase was primarily due to an increase in total revenue by 27.7% during the period under review. The Group's segment results margin improved from 57.4% in the six-month period ended 30 June 2013 to 61.8% in the six-month period ended 30 June 2014, primarily due to the falling contribution of system integration as a percentage of total sales, which is traditionally one of the Group's lowest result margin segment.

RESEARCH AND DEVELOPMENT COSTS

For the six months ended 30 June 2014, the Group's research and development costs increased slightly by approximately 12.6% or RMB2.1 million due to an increase in the amount of amortization of third party software. Such increase was mainly due to the full amortization of third party software that was purchased during the second half of 2013.

OTHER INCOME AND GAINS

The increase in the Group's other income and gains from approximately RMB1.7 million for the six months ended 30 June 2013 to approximately RMB8.1 million for the six months ended 30 June 2014 was mainly the result of the interest income earned from bank deposits.

DISTRIBUTION AND SELLING EXPENSES

During the six months ended 30 June 2014, distribution and selling expenses of the Group increased by approximately RMB4.5 million. This was partly due to increase in salaries and partly due to increase in marketing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE AND GENERAL EXPENSES

During the six months ended 30 June 2014, administrative and general expenses of the Group increased by approximately RMB9.3 million partly due to the increase in staff remuneration and partly due to the addition of professional parties' fee for maintaining the listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as well as litigation cost.

OTHER EXPENSES AND LOSSES

The significant decrease of approximately RMB9.8 million in other expenses and losses of the Group during the six months ended 30 June 2014 was mainly attributable to the recognition of professional fees for the period ended 30 June 2013, arising from the Company's listing of its shares on the Stock Exchange on 9 July 2013. No such expense was recognized for the six months ended 30 June 2014.

INCOME TAX EXPENSE

For the six months ended 30 June 2014, the Group's income tax expenses increased by approximately 805.0% mainly as a result of a RMB7.8 million reversal recognized in period for the six months ended 30 June 2013 for an over provision of PRC enterprise income tax ("EIT") that occurred in 2011 and 2012. No such reversal was required for the six months ended 30 June 2014 as Nanjing Skytech has obtained the "Key Software Enterprise under the National Plan" for the two years ended 31 December 2014.

NET PROFIT

Net profit of the Group for the six months ended 30 June 2014 amounted to approximately RMB46.1 million, representing an increase of 52.7% as compared with the six months ended 30 June 2013. Even though there was a significant increase in the expenses such as selling and distribution cost and administrative cost, the Group's net profit margin managed to record an increase from 29.0% to 34.7% for the period under review. This is principally due to the improvement in the segment results margin from 57.4% for the six months ended 30 June 2013 to 61.8% for the six months ended 30 June 2014.

NET CURRENT ASSETS

As at 30 June 2014, the Group had net current assets of RMB537.3 million (31 December 2013: RMB501.4 million).

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2014, the Group's primary source of funding was cash generated from operating activities. As at 30 June 2014, the net cash inflow from operating activities amounted to approximately RMB34.1 million (30 June 2013: RMB30.8 million) and the Group had cash and cash equivalent of RMB241.7 million (30 June 2013: RMB32.6 million).

As at 30 June 2014, the Group did not have any bank borrowings (31 December 2013: RMB0). As such, the Group's net gearing ratio, which is based on net total borrowings divided by total shareholders' equity, is zero as at 30 June 2014 (31 December 2013: 0).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT AND EXPENDITURES

During the six months ended 30 June 2014, we purchased RMB3.0 million worth of buildings electrical equipment and office equipment (for the six months ended 30 June 2013: RMB0.7 million).

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. During the period ended 30 June 2014, addition of capitalized cost amounted to RMB27.1 million (30 June 2013: RMB30.0 million). As a result of the higher amount of addition of capitalised cost for the year ended 31 December 2013, the amount of amortization for the period ended 30 June 2014 was higher at approximately RMB27.0 million compared to approximately RMB19.9 million for the period ended 30 June 2013. This resulted in the slight increase in intangible assets for the period ended 30 June 2014.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2014, the Group had a total of 562 employees. 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.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is the PRC and its functional currency is RMB. However, certain of the Group's bank balances and other payables are denominated in USD. During the period under review, the Group recorded an exchange gain of approximately RMB3.5 million (30 June 2013: RMB1.2 million) as a result of the depreciation of RMB against the USD.

CHARGES ON ASSETS

As at 30 June 2014, the Group had no charge on assets.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held, material acquisitions or disposals of subsidiaries for the six months ended 30 June 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, the Group has not entered into any legally binding agreement or arrangement with respect to any investment opportunities except those disclosed in the relevant public announcement and this report.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The successful strategies of the Group are based on the acute identification of the opportunities brought about by government policies. Looking forward, notwithstanding the steady and modest PRC economic growth, the central government is still strengthening its support for the export industry, information technology and energy-saving and emission reduction, which will continue to benefit the Group's major business segments.

In order to support the steady growth of foreign trade, the State Council of the PRC announced a series of policies and initiatives in the first half of the year, which involve improving export tax policies, speeding up the export tax rebate progress and increasing efforts to crack down upon export tax frauds. Export enterprises will better benefit from these policies through effective and accurate export tax rebate applications, and the specialised export tax software and related services provided by the Group will become more attractive to them. In line with the development of government policies, the Group will continue to provide various products, services and training programs that can help export enterprises.

In recent years, facilitating the application of information technology and information consumption has been among the major tasks of the PRC government and all government departments have been actively conducting information-based reforms. Over the years, the Group has accumulated extensive experience in e-Government solutions and occupies a leading position in the relevant areas. The Group will continue to combine its advanced technology with its understanding of the needs of government departments by providing in-depth specialised solutions in the growing e-Government market. Certain e-Government solutions serve as the bridge connecting the government and the public, and the Group will also actively explore the opportunities in private sectors brought about by these e-Government solutions so as to enlarge the Group's market share.

The PRC government has been focusing its efforts on promoting energy saving and emission reduction. Given the fact that pilot low-carbon provinces and cities have been established, emission standards have been formulated for high energy-consuming industries and pilot carbon-trading markets have been set up, the low carbon and environmental protection market is bound to experience rapid growth. As a first mover, the Group has developed carbon management products catering to specific regions, industries and enterprises and their performance have been recognised by the government and industry. Building on these efforts, the Group will continue to enhance its efforts on research and development and marketing in the future. The cooperation with CECEP as just announced will also further improve the Group's competitiveness to seize extensive market opportunities.

With all of its principal activities facing a favourable market condition, together with its growing research and development capability and competitiveness, the Group is cautiously optimistic that it will experience continuous and healthy growth and provide desirable returns to its' Shareholders in the future.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

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

As at 30 June 2014, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Personal interests	Corporate interests	Interest of spouse	Number of Shares held (Note 1)	Approximate % of issued share capital of the Company
Ms. Xin Yingmei	—	424,955,500 (L) (Note 2)	67,447,500 (L) (Note 3)	492,403,000 (L)	47.70%
Mr. Yu Yifa	1,875,000 (L)	—	—	1,875,000 (L)	0.18%

Notes:

- (1) The letter "L" denotes the person's long position in such securities respectively.
- (2) These Shares are held by Long Capital International Limited which is beneficially and wholly owned by Ms. Xin Yingmei.
- (3) These Shares are held by Telewise Group Limited which is beneficially and wholly owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

Save as disclosed above, none of the Directors, chief executives of the Company and/or any of their respective associates had registered any interests or short positions in any Shares and underlying Shares in, and debentures of, the Company or any or its associated corporations as at 30 June 2014, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2014, the persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of SFO:

Name of shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate % of issued share capital of our Company
Long Capital International Limited	Beneficial owner	424,955,500 (L) <i>(Note 2)</i>	41.17%
Telewise Group Limited	Beneficial owner	67,447,500 (L) <i>(Note 3)</i>	6.53%
Wang Xiaogang	Interest of a controlled corporation	67,447,500 (L) <i>(Note 3)</i>	6.53%
Alibaba.com Investment Holding Limited	Beneficial owner	137,500,000 (L) <i>(Note 4)</i>	13.32%
Alibaba.com Limited	Interest of a controlled corporation	137,500,000 (L) <i>(Note 4)</i>	13.32%
Alibaba Group Holding Limited	Interest of a controlled corporation	137,500,000 (L) <i>(Note 4)</i>	13.32%
SoftBank Corp.	Interest of a controlled corporation	137,500,000 (L) <i>(Note 5)</i>	13.32%
FIL Limited	Investment manager	102,606,000 (L)	9.94%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) These Shares are held by Long Capital International Limited which is beneficially and wholly owned by Ms. Xin Yingmei.
- (3) These Shares are held by Telewise Group Limited which is beneficially and wholly owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.
- (4) Alibaba.com Investment Holding Limited is wholly owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.
- (5) SoftBank Corp. is a company listed on First Section of the Tokyo Stock Exchange and owns more than one-third of the shares in Alibaba Group Holding Limited directly or indirectly.

Save as disclosed above, as at 30 June 2014, 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 that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2014.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) on 11 June 2013. 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 10% of the Shares in issue immediately after the completion of the global offering.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

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

- (i) motivate the Eligible Participants 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 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”) 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 share capital as at 5 August 2014:

As at 5 August 2014, no share option has been granted under the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 100,000,000 Shares.

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 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, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2) (d) and the disclaimer required under 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 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 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 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 2014, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

OTHER INFORMATION

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 9 July 2013. The net proceeds from the Company's global offering amounted to approximately HK\$357.6 million (including the over-allotment exercise and after deducting underwriting fees and commissions and related listing expenses). These proceeds were applied in the manner consistent with that disclosed in the Company's prospectus dated 27 June 2013 as set out below:

1. In respect of the amount of approximately HK\$150.8 million (equivalent to approximately RMB120.1 million which accounted for approximately 42.2% of the actual net proceeds from the Global Offering) allocated for use in the R&D activities (the "R&D Allocation"), of which approximately 10.8% will be used for the development of the export tax software; approximately 10.8% will be used for the e-Government software; approximately 9.7% will be used in carbon management solutions; and approximately 8.8% will be used in information integration software for the R&D projects in the future, as at 30 June 2014, a total of approximately RMB66.3 million had been allocated as follows:
 - (a) approximately HK\$31.9 million (equivalent to approximately RMB25.4 million which accounted for approximately 21.2% of the R&D Allocation) had been allocated to increase the number of R&D personnel from approximately 404 to approximately 450. For the period ended 30 June 2014, a total of approximately RMB4.2 million had been applied towards such stated purpose.
 - (b) approximately HK\$35.9 million (equivalent to approximately RMB28.6 million which accounted for approximately 23.8% of the R&D Allocation) had been allocated to increase the salaries and other staff incentives the Company's R&D engineers by not less than 20% per annum over the next two years. For the period ended 30 June 2014, a total of approximately RMB9.7 million had been applied towards such stated purpose.
 - (c) approximately HK\$30.2 million (equivalent to approximately RMB24.0 million which accounted for approximately 20.0% of the R&D Allocation) had been allocated to researches on future technologies. For the period ended 30 June 2014, the Company has fully utilized this amount towards such stated purpose.
 - (d) approximately HK\$22.6 million (equivalent to approximately RMB18.0 million which accounted for approximately 15.0% of the R&D Allocation) had been allocated to purchase software licences from third party vendors for R&D purposes over the next three years. For the period ended 30 June 2014, the Company has fully utilized this amount towards such stated purpose.
 - (e) approximately HK\$15.1 million (equivalent to approximately RMB12.0 million which accounted for approximately 10.0% of the R&D Allocation) had been allocated to enhance the knowledge and skills of our R&D members. For the period ended 30 June 2014, a total of approximately RMB2.1 million had been applied towards such stated purpose.
 - (f) approximately HK\$15.1 million (equivalent to approximately RMB12.0 million which accounted for approximately 10.0% of the R&D Allocation) had been allocated to purchase computer equipment, software and testing platforms for R&D purposes. For the period ended 30 June 2014, a total of approximately RMB8.3 million had been applied towards such stated purpose.

2. In respect of the amount of approximately HK\$82.4 million (equivalent to approximately RMB65.6 million which accounted for approximately 23.0% of the actual net proceeds from the Global Offering) allocated as reserves for potential mergers and acquisitions in the future. As at 30 June 2014, such allocation had not been utilized.
3. Approximately HK\$74.0 million (equivalent to approximately RMB58.9 million which accounted for approximately 20.7% of the actual net proceeds from the Global Offering), which had been allocated for the repayment of the bank facilities utilized by Infotech Holdings, had been utilised by the Company in full as at 30 June 2014.
4. Approximately HK\$18.4 million (equivalent to approximately RMB14.7 million which accounted for approximately 5.2% of the actual net proceeds from the Global Offering), had been allocated for the purchase of computer equipment and other ancillary software, of which approximately RMB1.3 million had been utilised by the Company as at 30 June 2014.
5. Approximately HK\$18.4 million (equivalent to approximately RMB14.7 million which accounted for approximately 5.2% of the actual net proceeds from the Global Offering), had been allocated for the marketing purposes, of which approximately RMB8.5 million had been utilised by the Company as at 30 June 2014.
6. Approximately HK\$13.6 million (equivalent to approximately RMB10.8 million which accounted for approximately 3.8% of the actual net proceeds from the Global Offering), which had been allocated for working capital requirements and general corporate purposes, had been utilised by the Company in full as at 30 June 2014.

The unutilized portion of the net proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions (the “Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set forth in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its corporate governance code of practices. In the opinion of the Board, save as the deviations disclosed below, the Company has complied with the Code Provisions during the six months ended 30 June 2014.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company did not separate the roles of chairman and chief executive officer of the Company and Ms. Xin Yingmei is the chairlady as well as the chief executive officer of the Company responsible for overseeing the operations of the Group during the six months ended 30 June 2014. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies currently and in the foreseeable future. The Company will nevertheless review the structure from time to time in light of the prevailing circumstances.

OTHER INFORMATION

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 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Kwauk Teh Ming, Walter, Mr. Kang Choon Kiat 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 system 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 period ended 30 June 2014.

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 paragraph B.1 of the CG Code. The Remuneration Committee consists of one executive Director, being Mr. Yu Yifa and two independent non-executive Directors, being Mr. Kwauk Teh Ming, Walter and Mr. Kang Choon Kiat, with Mr. Kang Choon Kiat serving as chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding the Group’s policy and structure for all remuneration of 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 paragraph A.5 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 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. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Mr. Kang Choon Kiat 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix 10 to the Listing Rules as its code for securities transactions by the Directors. The Company has made specific enquires with each of the Directors and all the Directors have confirmed that they complied with the Model Code throughout the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2014 have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, 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 will be included in the interim report of the Company to be despatched to the shareholders. The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2014 has also been reviewed by the audit committee of the Company (the “Audit Committee”). The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

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

Hong Kong, 5 August 2014



TO THE BOARD OF DIRECTORS OF SINOSOFT TECHNOLOGY GROUP LIMITED

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 30, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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-month period then ended, and certain explanatory notes. The Main Board Listing 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 provision 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.

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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended	
		30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Revenue	3	132,842	104,015
Value-added tax refund		3,407	6,520
Cost of sales		(35,531)	(34,213)
Research and development costs		(18,684)	(16,587)
Other income and gains		8,099	1,740
Distribution and selling expenses		(11,205)	(6,729)
Administrative and general expenses		(20,735)	(11,459)
Other expenses and losses	5	(514)	(10,342)
Finance costs on bank loans wholly repayable within five years		—	(1,455)
Profit before tax	6	57,679	31,490
Income tax expense	7	(11,539)	(1,275)
Profit and total comprehensive income for the period		46,140	30,215
		RMB cents	RMB cents
Earnings per share			
– Basic	8	4.47	4.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	30.6.2014 RMB' 000 (unaudited)	31.12.2013 RMB' 000 (audited)
Non-current assets			
Property, plant and equipment		8,915	7,457
Intangible assets	10	125,142	125,063
Available-for-sale financial assets		2,000	2,000
Deferred tax assets	11	—	—
		<u>136,057</u>	<u>134,520</u>
Current assets			
Inventories		2,175	1,279
Trade and other receivables	12	251,895	220,892
Structured bank deposits		100,000	70,000
Pledged bank deposits		880	—
Bank balances and cash		241,670	287,559
		<u>596,620</u>	<u>579,730</u>
Current liabilities			
Trade payables	13	13,958	30,600
Other payables		39,568	42,458
Tax liabilities		5,769	5,228
		<u>59,295</u>	<u>78,286</u>
Net current assets		<u>537,325</u>	<u>501,444</u>
Total assets less current liabilities		<u>673,382</u>	<u>635,964</u>
Non-current liability			
Deferred tax liabilities	11	20,774	14,055
		<u>652,608</u>	<u>621,909</u>
Capital and reserves			
Share capital	14	8,232	8,232
Reserves		644,376	613,677
Total equity attributable to owners of the Company		<u>652,608</u>	<u>621,909</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

Equity attributable to owners of the Company

	PRC					Total RMB' 000
	Share capital RMB' 000	statutory reserve RMB' 000	Capital reserve RMB' 000	Share premium RMB' 000	Accumulated profits RMB' 000	
At 1 January 2013 (audited)	8	47,407	2,627	183,353	—	233,395
Profit for the year	—	—	—	30,215	—	30,215
Dividend paid	—	—	—	(20,440)	—	(20,440)
At 30 June 2013 (unaudited)	<u>8</u>	<u>47,407</u>	<u>2,627</u>	<u>193,128</u>	<u>—</u>	<u>243,170</u>
At 1 January 2014 (audited)	8,232	49,798	2,627	299,788	261,464	621,909
Profit for the year	—	—	—	—	46,140	46,140
Dividend (note 9)	—	—	—	—	(15,441)	(15,441)
At 30 June 2014 (unaudited)	<u>8,232</u>	<u>49,798</u>	<u>2,627</u>	<u>299,788</u>	<u>292,163</u>	<u>652,608</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash from operating activities	<u>34,094</u>	<u>30,821</u>
Investing activities:		
Purchase of property, plant and equipment	(3,005)	(704)
Payment for the cost incurred capitalised as intangible assets	(27,114)	(30,035)
Placement of pledged bank deposits	(880)	(20,350)
Proceeds from release of pledged bank deposits	—	20,915
Payments for structured bank deposits	<u>(30,000)</u>	<u>—</u>
Net cash used in investing activities	<u>(60,999)</u>	<u>(30,174)</u>
Financing activities:		
Dividends paid	(15,441)	(20,440)
Repayment of short-term bank loans	—	(31,931)
New bank loans raised	<u>—</u>	<u>31,331</u>
Net cash used in financing activities	<u>(15,441)</u>	<u>(21,040)</u>
Net decrease in cash and cash equivalents	(42,346)	(20,393)
Cash and cash equivalents at beginning of the period	287,559	52,944
Effect of foreign exchange rate changes	<u>(3,543)</u>	<u>—</u>
Cash and cash equivalents at 30 June, represented by bank balances and cash	<u><u>241,670</u></u>	<u><u>32,551</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 "Listing Date"). Its parent is Long Capital International Limited (incorporated in the British Virgin Islands, which is wholly owned by Ms. Xin Yingmei ("Ms. Xin"), who is also the Chairman and Managing Director of the Company.

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 are software development, system integration 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*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, certain new or amendments to International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"):

- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21: Levies

The application of the above new or amendments to IFRSs in the current period has had no material effect on the amounts presented and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. REVENUE AND SEGMENT INFORMATION

The Group is organised into different business units by products, 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 five core product lines, namely export tax software and related services, e-Government solutions, carbon management solutions, information integration software and system integration solutions. These products form the basis on which the Group reports its segment information. During the year ended 31 December 2013, the CODM had determined to change the structure of the Group's internal organisation and in a manner that causes the composition of its reportable segments to change. As a result, certain businesses of the reportable segment of information integration software had been merged into the segment of e-Government solutions.

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

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Segment revenue		
Export tax software and related services	42,047	29,416
e-Government solutions	58,559	42,549
Carbon management solutions	10,930	7,843
System integration solutions	21,306	24,207
Total revenue	<u>132,842</u>	<u>104,015</u>
Segment results		
Export tax software and related services	37,922	28,798
e-Government solutions	34,426	22,509
Carbon management solutions	8,800	7,180
System integration solutions	886	1,248
Total segment results	82,034	59,735
Other income and gains	8,099	1,740
Other expenses and loss	(514)	(10,342)
Finance costs	—	(1,455)
Distribution and selling expenses	(11,205)	(6,729)
Administrative and general expenses	(20,735)	(11,459)
Profit before tax	57,679	31,490
Income tax expense	(11,539)	(1,275)
Profit for the period	<u>46,140</u>	<u>30,215</u>

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. RESULTS FOR THE PERIOD

Whilst the sales of export tax software and related services are generally stable throughout the year, the sales of e-Government solutions, carbon management solutions and system integration solutions 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 EXPENSES AND LOSSES

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Listing expenses	—	10,291
Donation	506	30
Others	8	21
	<u>514</u>	<u>10,342</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Depreciation of property, plant and equipment	1,547	1,447
Amortisation of intangible assets:		
amortisation of capitalised software costs (included in cost of sales)	13,239	9,612
amortisation of other software (included in research and development costs)	13,796	10,295
Total depreciation and amortisation	<u>28,582</u>	<u>21,354</u>
Net foreign exchange gain (included in other income and gains)	3,543	1,173
Research and development costs recognised as an expense	18,684	16,587
Cost of inventories recognised as an expense	<u>22,292</u>	<u>24,601</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	4,820	3,518
Over provision of EIT in prior years (note)	—	(7,795)
Withholding tax on undistributed profits	—	1,654
Deferred tax charge:		
Current period	6,719	3,898
	<u>11,539</u>	<u>1,275</u>

Note: On 17 February 2013, Nanjing Skytech was enlisted as a "Key Software Enterprise" under the "National Plan" (國家規劃布局內重點軟件企業) for two years ended 31 December 2012 and entitled the reduced tax rate of 10% for the period. The over provided EIT in respect of 2012 and 2011 was reversed accordingly in 2013.

In December 2013, Nanjing Skytech was re-enlisted as a "Key Software Enterprise" under the "National Plan" and enjoys a reduced income tax rate of 10% for the two years ended 31 December 2014.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit for the six months ended 30 June 2014 of RMB46,140,000 (six months ended 30 June 2013: RMB30,215,000) and 1,032,258,000 shares (as at 30 June 2013: 750,000,000 shares). The number of shares comprise 1,000,000 shares in issue at 30 June 2013 and 749,000,000 shares issued pursuant to the Capitalisation Issue (as detailed in note 14) which took place immediately before the Company's listing of its shares on the Stock Exchange on 9 July 2013 as if the shares were outstanding throughout the entire six months ended 30 June 2013.

The Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2014 and 30 June 2013.

9. DIVIDENDS

During the current interim period, a dividend amounting to HKD0.0189 (approximately RMB0.015) per share was declared by the Company at the annual general meeting dated 22 May 2014. The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

10. INTANGIBLE ASSETS

During the current period, the Group incurred the additions of cost at approximately RMB27,114,000 (six months ended 30 June 2013: RMB30,035,000) which represented the capitalised software costs generated internally amounting to RMB24,289,000 (six months ended 30 June 2013: RMB26,247,000) and other purchased software amounting to RMB2,825,000 (six months ended 30 June 2013: RMB3,788,000) for the new software product development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

11. DEFERRED TAXATION

The following are the deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior periods:

	Allowance for doubtful receivables RMB' 000	Withholding tax on undistributed profits RMB' 000	Capitalised software costs RMB' 000	Total RMB' 000
At 1 January 2013 (audited)	952	(6,700)	(7,321)	(13,069)
Reversal upon payment of withholding tax	—	1,654	—	1,654
Charge to profit or loss	—	(1,400)	(4,426)	(5,826)
Effect of change in tax rate	274	—	—	274
At 30 June 2013 (unaudited)	<u>1,226</u>	<u>(6,446)</u>	<u>(11,747)</u>	<u>(16,967)</u>
At 1 January 2014 (audited)	549	(1,470)	(13,134)	(14,055)
Charge to profit or loss	—	(5,930)	(1,149)	(7,079)
Effect of change in tax rate	360	—	—	360
At 30 June 2014 (unaudited)	<u>909</u>	<u>(7,400)</u>	<u>(14,283)</u>	<u>(20,774)</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2014 RMB' 000 (unaudited)	31.12.2013 RMB' 000 (audited)
Deferred tax assets	—	—
Deferred tax liabilities	<u>(20,774)</u>	<u>(14,055)</u>

Under the EIT Law of PRC, dividends paid to non-resident overseas shareholders declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards is subject to a PRC withholding tax rate of up to 10%. For investors incorporated in Singapore, a preferential rate of 5% will be applied where appropriate. As at 30 June 2014, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB69,083,000 as at 31 December 2013, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

12. TRADE AND OTHER RECEIVABLES

	30.6.2014 RMB' 000 (unaudited)	31.12.2013 RMB' 000 (audited)
Trade receivables	243,349	212,135
Less: Allowance for doubtful debts	<u>(2,635)</u>	<u>(2,635)</u>
	240,714	209,500
Prepayments to suppliers	5,695	3,885
Deposits	2,522	2,611
Value added tax recoverable	837	2,919
Advances to employees	1,136	1,154
Others	<u>991</u>	<u>823</u>
Total trade and other receivables	<u><u>251,895</u></u>	<u><u>220,892</u></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 from the customers, which was around one year, although a longer credit term may be extended to certain customers, depending on price, the size of the contract, credibility and reputation of the customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts 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.

	30.6.2014 RMB' 000 (unaudited)	31.12.2013 RMB' 000 (audited)
0 to 60 days	81,603	94,727
61 to 90 days	20,513	4,030
91 to 180 days	968	487
181 days to 1 year	64,784	58,533
1 to 2 years	68,645	33,837
Over 2 years	<u>4,201</u>	<u>17,886</u>
	<u><u>240,714</u></u>	<u><u>209,500</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

13. TRADE PAYABLES

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

	30.6.2014 RMB' 000 (unaudited)	31.12.2013 RMB' 000 (audited)
0 to 90 days	12,461	17,717
91 to 180 days	259	1,061
181 to 1 year	400	10,652
Over 1 year	838	1,170
	<u>13,958</u>	<u>30,600</u>

14. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	RMB' 000
At 30 June 2014 and 31 December 2013, comprising 1,032,258,000 issued and fully paid shares of HKD0.01 each	<u>8,232</u>

Notes:

- On 6 January 2011, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company's initial authorised share capital was HKD380,000, divided into 3,800,000 shares of a par value of HKD0.10 each, and issued 100,000 shares amounting to HKD10,000 on the same date.
- Pursuant to the written resolutions passed on 11 June 2013, (i) the Company subdivided each existing issued and unissued shares of HK\$0.10 each in the share capital of the Company into 10 new ordinary shares of HKD0.01 each, (ii) the authorised share capital of the Company was increased from HKD380,000 to HKD80,000,000 by the creation of an additional 7,962,000,000 shares of HKD0.01 each, (iii) conditional on the share premium account of the Company being credited upon listing of the Company's shares on the Stock Exchange (the Capitalisation Issue"), a sum of HKD7,490,000 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par 749,000,000 shares, such shares were issued on the Listing Date to the shareholders as at 11 June 2013 on a pro rata basis.
- On the Listing Date, the Company issued 250,000,000 shares of HKD0.01 each at HKD1.45 per share with gross proceeds of approximately HKD362,500,000.
- The over-allotment option was partially exercised in respect of 32,258,000 shares of HKD0.01 each (the "Over-allotment Shares"), and the Over-allotment Shares were issued and allotted by the Company at HK\$1.45 per share on 2 August 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

15. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

(a) Transactions

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Rental expenses paid to: Nanjing Jingtian Technology Co., Ltd. *	<u>5,199</u>	<u>4,684</u>

(b) Balance

	30.6.2014	31.12.2013
	RMB' 000 (unaudited)	RMB' 000 (audited)
Other receivables: Nanjing Jingtian Technology Co., Ltd. *	<u>3,013</u>	<u>1,733</u>

* Nanjing Jingtian Technology Co., Ltd. is a subsidiary of Team United Investment Limited, which is a non-controlling shareholder of the Company.

(c) Compensation of key management personnel

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

	Six months ended	
	30.6.2014 RMB' 000 (unaudited)	30.6.2013 RMB' 000 (unaudited)
Short-term benefits	1,816	1,231
Retirement benefits scheme contributions	<u>73</u>	<u>74</u>
	<u>1,889</u>	<u>1,305</u>