



**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

**INTERIM**  
**REPORT**  
**2016**



# Contents

Corporate Information	2
Management Discussion and Analysis	4
Other Information	11
Report on Review of Condensed Consolidated Financial Statements	18
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Financial Statements	23

# 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*)

## AUDITOR

Deloitte Touche Tohmatsu

## 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

18/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

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

**STOCK CODE**

1297

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL FINANCIAL PERFORMANCE

During the first half of 2016, informatization in China continued to develop vigorously. Demand for and investment in information technology from governments of all administrative levels and enterprises have been stepping up, which brought more development opportunities and solid revenue contribution for the Group. During the period under review, the Group proactively explored prospects in various business segments, intensified its research and development (“R&D”), established strategic collaborations, as well as extended its scope of businesses, to prepare for higher mid-to long-term growth. In the meantime, customers’ continuous demand for existing products supported the healthy results during the period.

## REVENUE

For the six months ended 30 June 2016, the Group recorded a revenue of approximately RMB 204.7 million, representing an approximately 21.2% growth compared to approximately RMB 168.9 million for the same period in 2015. During the period under review, the Group’s core business segments including carbon management solutions and e-Government solutions both recorded an over 30% increase in revenue, which in turn contributed to the increase of the Group’s results during the first half of 2016.

### Tax Software and Related Services

Stepping into 2016, the Group has been proactively expanding products and businesses in the tax area, including but not limited to export tax related business. In light of such development, the segment is renamed as tax software and related services from the original export tax software and related services.

In the first half of 2016, the State Administration of Taxation was focused on the work of replacing business tax with value-added tax (“**Business Tax to VAT**”) and enterprises were busy coping with the changes. Thus, demand related to other tax information services has yet to generate. Revenue generated from tax software and related services was approximately RMB 52.6 million for the six months ended 30 June 2016, a marginal increase when compared with approximately RMB 52.4 million for the same period in 2015.

The Group made significant achievements in business expansion during the period under review. On 24 May 2016, the Group announced that it had entered into a strategic cooperative framework agreement with Aisino Corporation (“**Aisino**”), to jointly promote the business of export tax related software, services and training courses across China; jointly promote the electronic invoicing platform to export enterprises; and cooperate in areas including services arising from the change from Business Tax to VAT. This cooperation is expected to facilitate the Group’s promotion of its export tax business across China, as well as extend its development into the new business of electronic invoicing and VAT related services, thus adding new momentum for its future growth. It is expected that this cooperation will start to generate revenue in the fourth quarter of 2016.

Overseas visitors sales tax refund business which was started in 2015 continued to develop steadily during the period under view. Apart from the pilot city of Shanghai, the Group has provided overseas visitors sales tax refund system for Guangdong, Anhui, Liaoning, Jiangsu, Shaanxi and Qingdao during the first half of 2016. At the same time, eligible refunding shops in these areas are also increasing steadily.

### Carbon Management Solutions

With growing attention in energy saving and emission reduction from the whole society, government agencies of different administrative levels and enterprises have increasing demand for the Group's carbon management solutions. This has helped to drive the Group's revenue from carbon management solutions by approximately 33.8% to approximately RMB 22.4 million for the six months ended 30 June 2016, compared to approximately RMB 16.7 million for the same period in 2015.

Subsequent to the development of the national key enterprises carbon reporting platform for National Center for Climate Change Strategy and International Cooperation, the Group has promoted the carbon reporting platform to provincial governments' use. During the period under review, the Group has completed a provincial key enterprises carbon reporting platform and carbon trading information management system, which provides data support for carbon quota allocation within the province. The Group has also developed a national greenhouse gas list database system. On top of the data of key enterprises carbon emission, the system further processes carbon emission information from different areas such as transportation, building and people's living, to calculate the total amount of carbon emission in the country, which can provide the reference data for assessing national carbon peak.

Apart from the products developed from the viewpoint of carbon management, the Group also responded to the policy of "Internet + Building Energy Management" and launched a new system for building energy consumption monitoring during the period under review. The system could set a benchmark for building energy management and has also further enriched the Group's product lines. Besides software products, the Group has also been developing its carbon audit consultation business, which helped broaden its income source and further understand customers' demand, thus creating benefits for new products R&D and promotion in the future.

On top of various self-developed carbon management solutions, the Group has reached an understanding to potentially form a strategic partnership with Alibaba Cloud, the cloud computing arm of Alibaba Group, during the period under review. Both parties will join forces to develop a low carbon cloud platform, which serves as the consolidated solutions for carbon data collection, monitoring, management, evaluation, auditing and presentation for carbon management departments and relevant enterprises.

### e-Government Solutions

Central government's encouragement of "Internet + Government Services" has supported government agencies and management departments from different administrative levels to increase their spending in information technology. The Group's revenue generated from e-Government solutions for the six months ended 30 June 2016 was approximately RMB 103.5 million, representing an increase of approximately 32.8% compared with approximately RMB 78.0 million for the same period in 2015.

During the period under review, various signature products of the Group were sold to a number of markets outside Jiangsu, including Beijing, Tianjin, Hebei, Liaoning and Inner Mongolia. Service cloud platform has expanded from targeting provincial government to municipal government and has been sold to cities outside Jiangsu, while WeChat police platform has also been promoted to more cities and regions. Together with customers' demand for upgrading existing e-Government products, these factors have contributed to the increase in revenue from e-Government solutions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementary service to the Group's other solutions purporting to provide a total solutions service to the Group's customers. During the six months ended 30 June 2016, revenue generated from system integration solutions segment amounted to approximately RMB 26.2 million, representing an increase of approximately 20.2% compared to approximately RMB 21.8 million for the same period in 2015.

### COST OF SALES

The Group's cost of sales is largely made up of amortization of capitalised software development cost as well as the costs for purchasing system and components for some of its projects. During the period under review, in line with prior periods, the Group intensified its investment in developing new products, which led to increases in both amortization cost of software development and cost for purchasing system and components. These have resulted in an increase of approximately 24.9% in the Group's cost of sales, from approximately RMB 62.2 million during the six months ended 30 June 2015 to approximately RMB 77.6 million during the six months ended 30 June 2016.

### 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 9.9% to approximately RMB 100.1 million for the six months ended 30 June 2016 from approximately RMB 91.1 million for the six months ended 30 June 2015.

The Group's segment results margin decreased from approximately 53.9% in the six-month period ended 30 June 2015 to approximately 48.9% in the six-month period ended 30 June 2016, primarily due to an increase in amortization of development cost under the intensifying investment for developing new products, especially in e-Government solutions and carbon management solutions.

### RESEARCH AND DEVELOPMENT COSTS

For the six months ended 30 June 2016, the Group's R&D costs increased by approximately 47.4% to approximately RMB 31.1 million as compared with approximately RMB 21.1 million for the six months ended 30 June 2015, due to increased devotion to new products development.

### OTHER INCOME AND GAINS

The Group's other income and gains which was mainly made up of the interest income earned from bank deposits decreased from approximately RMB 8.3 million for the six months ended 30 June 2015 to approximately RMB 6.6 million for the six months ended 30 June 2016, mainly due to the lower interest rate environment.

### DISTRIBUTION AND SELLING COSTS

During the six months ended 30 June 2016, the Group's distribution and selling costs decreased by approximately 3.1% to approximately RMB 12.8 million, as compared with approximately RMB 13.2 million during the six months ended 30 June 2015, due to management's effort in stringent cost control.

## ADMINISTRATIVE AND GENERAL EXPENSES

During the six months ended 30 June 2016, the Group's administrative and general expenses slightly increased by approximately 1.6% to approximately RMB 18.6 million, as compared with approximately RMB 18.3 million in the six months ended 30 June 2015. Increasing efficiency helped maintain administrative and general expenses at a nearly constant level in spite of undergoing business growth.

## OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group increased from approximately RMB 0.4 million for the six months ended 30 June 2015 to approximately RMB 2.8 million for the six months ended 30 June 2016, mainly due to the provision for doubtful debts made according to applicable accounting policies.

## INCOME TAX EXPENSE

The Group's income tax expense decreased by approximately 46.7% from approximately RMB 10.7 million for the six months ended 30 June 2015, to approximately RMB 5.7 million for the six months ended 30 June 2016. The decrease was mainly due to Nanjing Skytech Co., Limited ("Nanjing Skytech"), one of the Group's major subsidiaries, resumed to use 10% reduced applicable tax rate under the "Key Software Enterprise under the National Plan" during the six months ended 30 June 2016, instead of the 15% applicable tax rate in the same period of 2015, and the write back of income tax expense amounting to approximately RMB 4.5 million based on 10% applicable tax rate for relevant period in 2015.

## PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the six months ended 30 June 2016 amounted to approximately RMB 66.8 million, representing an increase of approximately 17.7% as compared with approximately RMB 56.8 million for the six months ended 30 June 2015. For the period under review, although costs of sales and research and development costs increased due to intensified devotion to new products development, roughly constant distribution and selling costs, and administrative and general expenses, as well as decreased income tax expense enabled the Group to maintain the net profit margin at approximately 32.6%.

## NET CURRENT ASSETS

As at 30 June 2016, the Group had net current assets of RMB 725.3 million (31 December 2015: RMB 687.9 million).

## FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2016, the Group's primary source of funding came from cash generated from its operating activities. As at 30 June 2016, the net cash inflow from operating activities amounted to approximately RMB 0.5 million (30 June 2015: approximately RMB 42.4 million) and the Group had cash and cash equivalent of RMB 322.6 million (31 December 2015: RMB 128.4 million).

As at 30 June 2016, the Group has no borrowings (31 December 2015: Nil) and no significant contingent liabilities.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 annual report. Please refer to note 5 to the consolidated financial statements of the Group's 2015 annual report for more details.

### INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 19.1 million (30 June 2015: RMB 32.8 million) and the addition to purchased software of RMB 11.7 million (30 June 2015: RMB 23.7 million) less the amortization charges for the period under review.

### HUMAN RESOURCES

As at 30 June 2016, the Group had a total of 635 employees (31 December 2015: 598). 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 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 period under review, the Group recorded an exchange gain of approximately RMB 97,000 (30 June 2015: exchange loss of approximately RMB 0.7 million). This exchange gain was a result of the depreciation of RMB against the USD and HKD as during the period under review, the Group had net assets denominated in USD and HKD.

No currency hedging arrangements were made as at 30 June 2016. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates.

### CHARGE ON ASSETS

As at 30 June 2016, the Group had no charge on assets.

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2016, the Group did not have any significant investments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

## 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.

## OUTLOOK

China, which is undergoing economic transformation, has been increasing its emphasis in new economy and informatization. The central government encourages informatization in different areas through policies, while government agencies and management departments of all administrative levels, as well as enterprises attempt to utilize information technology to improve working efficiency, communication, and standard of decision making through objective data analysis. The areas of tax, low carbon and e-Government, which are the Group's business focus, have certain new developments, either in industry policies or in applications of information technology, thus bringing opportunities to the Group.

For tax software and related services, the Group will continue to explore new products and provide comprehensive tax related information technology solutions to large corporates. In addition, with the background of the implementation of electronic invoicing and change from Business Tax to VAT, developing electronic invoicing platform for export enterprises as well as the provision of services for VAT for other enterprises, will enable the Group to come into contact with more customers, which in turn will bring more revenue and future development opportunities.

For overseas visitors sales tax refund, the Group is now in talks with provinces that have yet to launch the system, to strive for providing overseas visitors sales tax refund system to these provinces, so as to further expand the Group's geographical markets. In provinces that have implemented the system, the number of eligible refunding shops is also increasing. These have helped solidify the Group's leading market role, as well as provide the Group with the opportunity to explore extended business opportunities presented by the relevant system.

For carbon management solutions, the Group will ride on the advantage of having developed products for national use, to bring the national key enterprises carbon reporting platform down to different provincial and municipal governments. Together with the development of carbon trading information management system, provincial and municipal governments are able to obtain objective data to make reasonable carbon quota allocation for carbon trading participating enterprises. The newly developed national greenhouse gas list database system is also expected to be replicated for different provincial and municipal use. The Group will continue to seize the opportunities brought about by the target of reaching national carbon peak before 2030 and the upcoming national carbon trading, to promote ecology cloud platform and low carbon cloud product series for government agencies and management departments, and to sell carbon asset management system for enterprises.



## MANAGEMENT DISCUSSION AND ANALYSIS

For e-Government solutions, while continuing to sell the Group's signature products to various provinces and cities, the Group will develop extended products from the existing applications, such as the terminal outlets management platform derived from the foundation of courier enterprises management. This platform is able to provide information of outlets location and delivery area to recipients; value-added services of outlets planning and information integration to courier enterprises, as well as data of terminal outlets to government departments, in order to assist them in monitoring the service standard and safety of courier enterprises.

The Group will also continue to explore new areas of applications. Among them, resources supply chain management platform is expected to be launched in the second half of 2016. On top of adopting Quick Response Code (QR Code) to identify resources, the system integrates technologies such as Radio Frequency Identification (RFID), Geographic Information System (GIS), Global Positioning System (GPS), Location Based Service (LBS) and big data, to achieve information tracking and integrated management in resources supply chain throughout planning, manufacturing, transportation, implementation, maintenance and disposal, so as to enhance enterprises' management and procurement cost control for large scale resources such as electric grid facilities.

Riding on the development trend of new economy and informatizaion, together with the prospects in different core business segments, the Group will continue to strengthen its R&D and enhance its competitiveness, to prepare for greater growth in the future.

### INTERIM DIVIDEND

The board (the “Board”) of directors (the “Director(s)”) did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

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

As at 30 June 2016, interests or short positions in the shares of the Company (the “Share(s)”), 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 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 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 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 1)	Approximate percentage of the issued share capital of the Company
Ms. Xin Yingmei	—	406,859,500 (L) (Note 2)	65,647,500 (L) (Note 3)	472,507,000 (L)	45.77%
Mr. Yu Yifa	975,000 (L)	—	—	975,000 (L)	0.09%

*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.

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 of its associated corporations as at 30 June 2016, 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.

## OTHER INFORMATION

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

As at 30 June 2016, 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 (Note 1)	Approximate percentage of the issued share capital of the Company
Long Capital International Limited	Beneficial owner	406,859,500 (L) (Note 2)	39.41%
Telewise Group Limited	Beneficial owner	65,647,500 (L) (Note 3)	6.36%
Wang Xiaogang	Interest of a controlled corporation	65,647,500 (L) (Note 3)	6.36%
Alibaba.com Investment Holding Limited	Beneficial owner	137,500,000 (L) (Note 4)	13.32%
Alibaba.com Limited	Interest of a controlled corporation	137,500,000 (L) (Note 4)	13.32%
Alibaba Group Holding Limited	Interest of a controlled corporation	137,500,000 (L) (Note 4)	13.32%
FIL Limited	Investment manager	92,976,000 (L)	9.01%

*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.

Save as disclosed above, as at 30 June 2016, 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.

## 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 and represents 9.7% of the Shares in issue as at the date of this report.

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 person(s) (collectively the “**Eligible Participant(s)**”) 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 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.

The maximum number of Shares which maybe 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.

## OTHER INFORMATION

### 4. Maximum entitlement of each Eligible 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 number 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 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 2016, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules as its corporate governance code of practices. 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 2016, with the exception of the following deviation:

Code provision A.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 is currently the chairlady and chief executive officer of the Company responsible for overseeing the operations of the Group.

The Board has considered the merits of separating the roles of chairlady and chief executive 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 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 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 period ended 30 June 2016.



## OTHER INFORMATION

### 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 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 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 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. 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.

### 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 2016. 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 2016.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## REVIEW OF THE INTERIM RESULTS

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2016 has 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 is included on page 18 of this interim report. The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2016 has also been reviewed by 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 controls 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, 8 August 2016

# 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 32, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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  
8 August, 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended	
		30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Revenue	3	204,671	168,926
Value-added tax refund		4,198	5,397
Cost of sales		(77,630)	(62,153)
Research and development costs		(31,120)	(21,107)
Other income and gains		6,563	8,281
Distribution and selling expenses		(12,758)	(13,166)
Administrative and general expenses		(18,600)	(18,309)
Other expenses and losses	5	(2,825)	(436)
Profit before tax	6	72,499	67,433
Income tax expense	7	(5,689)	(10,674)
Profit and total comprehensive income for the period		<u>66,810</u>	<u>56,759</u>
		RMB cents	RMB cents
<b>Earnings per share</b>			
– Basic	8	<u>6.47</u>	<u>5.50</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	As at	
		30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		6,857	8,052
Intangible assets	10	187,587	213,779
Available-for-sale financial assets		2,000	2,000
Deposits for acquisition of a subsidiary	15	33,547	—
		<u>229,991</u>	<u>223,831</u>
<b>Current assets</b>			
Inventories		2,244	1,631
Trade and other receivables	12	518,474	381,725
Structured bank deposits		—	255,000
Pledged bank deposits		5	26
Bank balances and cash		322,572	128,444
		<u>843,295</u>	<u>766,826</u>
<b>Current liabilities</b>			
Trade payables	13	51,558	31,149
Other payables		61,961	37,055
Tax liabilities		4,519	10,767
		<u>118,038</u>	<u>78,971</u>
Net current assets		<u>725,257</u>	<u>687,855</u>
Total assets less current liabilities		<u>955,248</u>	<u>911,686</u>
<b>Non-current liability</b>			
Deferred tax liabilities	11	32,270	31,344
		<u>922,978</u>	<u>880,342</u>
<b>Capital and reserves</b>			
Share capital	14	8,232	8,232
Reserves		914,746	872,110
Total equity attributable to owners of the Company		<u>922,978</u>	<u>880,342</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Equity attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Accumulated profits RMB'000	
At 1 January 2015 (audited)	8,232	61,744	2,627	299,788	368,606	740,997
Profit for the period	—	—	—	—	56,759	56,759
Dividend (note 9)	—	—	—	—	(20,187)	(20,187)
At 30 June 2015 (unaudited)	<u>8,232</u>	<u>61,744</u>	<u>2,627</u>	<u>299,788</u>	<u>405,178</u>	<u>777,569</u>
At 1 January 2016 (audited)	8,232	86,200	2,627	299,788	483,495	880,342
Profit for the period	—	—	—	—	66,810	66,810
Dividend (note 9)	—	—	—	—	(24,174)	(24,174)
At 30 June 2016 (unaudited)	<u>8,232</u>	<u>86,200</u>	<u>2,627</u>	<u>299,788</u>	<u>526,131</u>	<u>922,978</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Net cash from operating activities	<u>540</u>	<u>42,392</u>
Investing activities:		
Purchase of property, plant and equipment	(776)	(575)
Deposits paid for acquisition of a subsidiary	(33,547)	—
Payment for the cost incurred capitalised as intangible assets	(30,884)	(56,476)
Placement of pledged bank deposits	—	(516)
Proceeds from release of pledged bank deposits	21	880
Payments for structured bank deposits	—	(520,000)
Proceeds from release of structured bank deposits	<u>258,677</u>	<u>589,500</u>
Net cash from investing activities	<u>193,491</u>	<u>12,813</u>
Financing activities:		
Dividends paid	—	(20,187)
Net cash used in financing activities	<u>—</u>	<u>(20,187)</u>
Net increase in cash and cash equivalents	194,031	35,018
Cash and cash equivalents at beginning of the period	128,444	102,630
Effect of foreign exchange rate changes	<u>97</u>	<u>664</u>
Cash and cash equivalents at 30 June, represented by bank balances and cash	<u><u>322,572</u></u>	<u><u>138,312</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 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 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 Appendix 16 to 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"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

The Group has not early applied the following new and revised International Financial Reporting Standards (“IFRS”) that have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 14	Regulatory Deferral Accounts <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to IAS 1	Disclosure Initiative <sup>4</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle <sup>4</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to IAS 7	Disclosure Initiative <sup>6</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group’s consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 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 four core product lines, namely tax software and related services, carbon management solutions, e-Government solutions and system integration solutions. These products form the basis on which the Group reports its segment information. During the period, the Group renames a core product line namely export tax software and related services to tax software and related services so as to reflect the nature of a broader range of tax-related software products and services in this core product line. There is no change in comparative figures as a result of this change in the name of the core product line.

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

	Six months ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
<b>Segment revenue</b>		
Tax software and related services	52,559	52,440
Carbon management solutions	22,390	16,731
e-Government solutions	103,508	77,951
System integration solutions	26,214	21,804
	<u>204,671</u>	<u>168,926</u>
<b>Segment results</b>		
Tax software and related services	45,222	46,050
Carbon management solutions	12,499	13,647
e-Government solutions	42,256	31,316
System integration solutions	142	50
	<u>100,119</u>	<u>91,063</u>
Total segment results	100,119	91,063
Other income and gains	6,563	8,281
Other expenses and losses	(2,825)	(436)
Distribution and selling expenses	(12,758)	(13,166)
Administrative and general expenses	(18,600)	(18,309)
	<u>72,499</u>	<u>67,433</u>
Profit before tax	72,499	67,433
Income tax expense	(5,689)	(10,674)
	<u>66,810</u>	<u>56,759</u>
Profit for the period	66,810	56,759

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 4. RESULTS FOR THE PERIOD

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

Whilst the sales of tax software and related services are generally stable throughout the year, the sales of carbon management solutions, e-Government 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	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Donation	—	200
Recognition of allowance for trade receivables	2,818	—
Others	7	236
	<u>2,825</u>	<u>436</u>

### 6. PROFIT BEFORE TAX

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

	Six months ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Depreciation of property, plant and equipment	1,971	1,673
Amortisation of intangible assets:		
amortisation of capitalised software costs (included in cost of sales)	31,522	14,763
amortisation of other software (included in research and development costs)	25,554	15,627
Total depreciation and amortisation	<u>59,047</u>	<u>32,063</u>
Net foreign exchange gain (loss)	97	(664)
Cost of inventories recognised as an expense	<u>46,108</u>	<u>47,390</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	9,294	6,441
Over provision in prior years	(4,531)	(137)
Deferred tax charge:		
Current period	926	4,370
	<b>5,689</b>	<b>10,674</b>

Note:

The Company had no assessable profits subject to income tax in any jurisdictions since its 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:

1. According to (財稅【2016】49號), Nanjing Skytech fulfilled the requirements of "Key Software Enterprise under the National Plan" (國家規劃佈局內重點軟件企業) for year ended 31 December 2015 and six months ended 30 June 2016. Accordingly, the applicable income tax rate for the year/period is 10%. (six months ended 30 June 2015: 15%).
2. On 31 October, 2014, Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation"), the subsidiary of the Company, obtained "High-tech enterprise" certificate. Accordingly, the applicable income tax rate for Jiangsu Skyinformation for the current period is 15% (six months ended 30 June 2015: 15%).
3. Nanjing Skytech Quan Shui Tong Information Technology Co., Ltd. ("Quan Shui Tong") used to be eligible for certain tax holidays and concessions and were exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Quan Shui Tong commenced its first profit-making year in the financial year ended 31 December 2014. Accordingly, the applicable income tax rate for Quan Shui Tong for the six months ended 30 June 2016 is 12.5% (six months ended 30 June 2015: nil).
4. The applicable EIT rate for Zhenjiang Skyinformation Co., Ltd. ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Ltd. ("Jiangsu Skytech Investment") and Qingdao Skytech Software Co., Ltd. ("Qingdao Skytech Software") is 25%.

### 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit for the six months ended 30 June 2016 of RMB 66,810,000 (six months ended 30 June 2015: RMB 56,759,000) and 1,032,258,000 shares (as at 30 June 2015: 1,032,258,000 shares).

The Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2016 and 30 June 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 9. DIVIDENDS

During the six months ended 30 June 2016, a 2015 final dividend amounting to RMB 0.0233 (approximately HKD 0.0274) per share was proposed by the Company's directors on 20 March 2016, and subsequently approved at the annual general meeting held on 28 June 2016. The directors did not recommend payment of an interim dividend for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: nil).

During the six months ended 30 June 2015, a 2014 final dividend amounting to RMB 0.0195 (approximately HKD 0.0248) per share was proposed by the Company's directors on 23 March 2015, and subsequently approved at the annual general meeting held on 22 May 2015.

### 10. INTANGIBLE ASSETS

During the six months ended 30 June 2016, the Group incurred the additions of cost at approximately RMB 30,884,000 (six months ended 30 June 2015: RMB 56,476,000) which represented the capitalised software costs generated internally amounting to RMB 19,139,000 (six months ended 30 June 2015: RMB 32,757,000) and other purchased software amounting to RMB 11,745,000 (six months ended 30 June 2015: RMB 23,719,000) for the new software product development.

### 11. DEFERRED TAXATION

The following are the deferred tax assets (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 2015 (audited)	395	(5,401)	(16,588)	(21,594)
Charge to profit or loss	—	(2,500)	(1,870)	(4,370)
At 30 June 2015 (unaudited)	<u>395</u>	<u>(7,901)</u>	<u>(18,458)</u>	<u>(25,964)</u>
At 1 January 2016 (audited)	395	(8,038)	(23,701)	(31,344)
Charge to profit or loss	<u>423</u>	<u>(3,300)</u>	<u>1,951</u>	<u>(926)</u>
At 30 June 2016 (unaudited)	<u>818</u>	<u>(11,338)</u>	<u>(21,750)</u>	<u>(32,270)</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 2016 and 31 December 2015, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 12. TRADE AND OTHER RECEIVABLES

	As at	
	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Trade receivables	465,448	358,231
Less: Allowance for doubtful debts	<u>(5,453)</u>	<u>(2,635)</u>
	459,995	355,596
Prepayments to suppliers	47,387	17,060
Deposits	3,204	2,674
Value added tax recoverable	1,351	1,165
Advances to employees	1,410	725
Interest receivables	3,180	—
Others	<u>1,947</u>	<u>4,505</u>
Total trade and other receivables	<u><u>518,474</u></u>	<u><u>381,725</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, 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	
	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
0 to 60 days	185,796	178,952
61 to 90 days	3,020	6,976
91 to 180 days	794	14,123
181 days to 1 year	149,575	47,440
1 to 2 years	79,954	72,950
Over 2 years	<u>40,856</u>	<u>35,155</u>
	<u><u>459,995</u></u>	<u><u>355,596</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 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:

	As at	
	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
0 to 90 days	40,441	22,164
91 to 180 days	3,771	639
181 to 1 year	698	3,139
Over 1 year	6,648	5,207
	<u>51,558</u>	<u>31,149</u>

### 14. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	RMB'000
At 30 June 2016 and 31 December 2015, comprising 1,032,258,000 issued and fully paid shares of HKD 0.01 each	<u>8,232</u>

There was no movement in the Company's share capital for the six months ended 30 June 2016 and 30 June 2015.

### 15. RELATED PARTY TRANSACTIONS

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

#### a) Transactions

	Six months ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Rental expenses paid to: Nanjing Jingtian Technology Co., Ltd ("Nanjing Jingtian"*)	<u>7,549</u>	<u>6,130</u>

\* Nanjing Jingtian is a subsidiary of Team United Investment Limited ("Team United"). Team United is a non-controlling shareholder of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

#### b) Balance

	As at	
	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Other receivables:		
Nanjing Jingtian	5,031	5,033
Deposits paid for acquisition of a subsidiary:		
Nanjing Jingtian	25,000	—
Team United	8,547	—
	33,547	—

During the period, Jiangsu Skytech Investment and Nanjing Jingtian entered into a letter of intent dated 26 February 2016 (the “**Letter of Intent**”) in relation to the acquisition of the entire equity interests in Nanjing Aisite Co., Ltd. (“**Nanjing Aisite**”), a subsidiary of Nanjing Jingtian. Nanjing Aisite is a property holding company. In accordance with the terms of the Letter of Intent, the Company paid deposits of RMB 25,000,000 and RMB 8,547,000 to Nanjing Jingtian and Team United respectively. Subsequent to 30 June 2016, no formal agreement had been concluded.

#### 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	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Short-term benefits	2,047	1,985
Retirement benefits scheme contributions	88	79
	2,135	2,064



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 16. EVENT AFTER THE REPORTING PERIOD

On 28 July 2016, the board of directors proposed a bonus share issue to the qualifying shareholders whose names appear on the register of member of the Company on 9 September 2016 on the basis of one bonus share for every five existing shares. The bonus shares will be credited as fully paid by way of capitalisation of an appropriate amount of the share premium account of the Company. Details of the bonus share issue are set out in the Company's announcement dated 28 July 2016.

### 17. 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, but 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 to pay a damage of approximately RMB 27,906,000 to Janful. 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 the judgement made by the Higher Court to overrule all claims. 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. The directors believe, based on the legal advices, 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 2016.