



**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

**2020**

Interim Report



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Ms. Xin Yingmei (*Chairlady*)

Mr. Su Hui

### NON-EXECUTIVE DIRECTOR

Mr. Ren Geng

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. 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. Su Hui

### 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. Su Hui

Dr. Ngai Wai Fung

## COMPANY SECRETARY

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

## AUDITOR

Baker Tilly Hong Kong Limited

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

No. 26 Tianpu Road

Jiangpu Street

Pukou District

Nanjing City

Jiangsu

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKERS**

Shanghai Pudong Development Bank  
China Merchants Bank

**COMPANY WEBSITE**

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

**STOCK CODE**

1297



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL DEVELOPMENT

In the first half of 2020, the whole world including China was affected by the outbreak of the novel coronavirus disease (the “**Pandemic**”) that greatly disrupted the pace of city life and economic activities, shrunk foreign trade, put tremendous downward pressures on both domestic and foreign economies, and brought numerous difficulties to enterprises. In the face of this extraordinarily severe economic environment, Sinosoft Technology Group Limited (the “**Company**” and its subsidiaries collectively, the “**Group**”) persisted in actively seeking new opportunities to develop products and operate prudently at the same time, and was able to continue making profit in the adversity.

Export enterprises bore the brunt of the complex and highly changeable foreign trade environment. The decline in foreign trade demand has forced some export enterprises to transform for survival. Leveraging on the understanding and professional knowledge for export enterprises, the Group has provided them with cloud-based softwares and services that effectively helped save costs and improve efficiency. Also, the Group’s big data analytic products, which helped its clients optimize business processes and accurately analyze upstream and downstream industries has also supported them in the market trough.

One of the major areas of the Group’s government big data products is to enhance social governance and government services. Under the Pandemic, governments at all levels had significant demands on emergency management, community risk prevention and control and the provision of online government services etc. The Group has sold a variety of related government big data products to effectively assist the community in reorganizing and further optimizing the governance level after the Pandemic.

Despite the difficult economic environment, the Group has not slowed its research and development in the low-carbon & ecology business. In addition to various ecological big data products, the Group is also actively exploring products that help enterprises strengthen safe production and establish a circular economy, and also to promote these products to more enterprises through the green industrial internet platform.

## REVENUE

For the six months ended 30 June 2020, the Group’s revenue recorded approximately RMB 255.7 million, representing a 19.9% decline as compared to RMB 319.3 million for the corresponding period in 2019, mainly due to the economic downward pressure and sales delay caused from the Pandemic.

### Export Enterprise Cloud-Based Software and Services

During the period under review, the Group’s export enterprise cloud-based software and services continued to obtain support and trust from customers despite some enterprises which terminated their export business and no longer purchased the Group’s products. For the six months ended 30 June 2020, revenue generated from the Group’s export enterprise cloud-based software and services was approximately RMB 58.8 million, representing a decrease of approximately 11.3% as compared to approximately RMB 66.3 million for the corresponding period in 2019.





### Government Big Data Software and Related Services

There is a continuous demand for the Group's government big data products which are able to effectively help enhance the level of social governance. However, the Pandemic has delayed the bidding processes and has affected the Group's revenue. For the six months ended 30 June 2020, revenue generated from government big data software and related services amounted to approximately RMB 167.7 million, representing a decrease of approximately 7.1% as compared to approximately RMB 180.4 million for the corresponding period in 2019.

### Low Carbon & Ecology Software and Related Services

Demand for low carbon & ecology software and related services has temporarily slowed down in the difficult economic environment. For the six months ended 30 June 2020, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 23.1 million, representing a decrease of approximately 51.8% as compared to approximately RMB 47.9 million for the corresponding period in 2019.

### 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 2020, revenue generated from the system integration solutions segment amounted to RMB 6.1 million, as compared to approximately RMB 24.7 million for the same period in 2019.

## COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development costs as well as the costs for purchasing systems and components for some of the Group's projects. During the period under review, the Group's cost of sales was approximately RMB 97.0 million, representing a decrease of approximately 26.0% as compared to approximately RMB 131.0 million for the six months ended 30 June 2019, mainly due to the slowdown in revenue and corresponding decrease in the related costs of sales.

## 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) decreased by approximately 21.1% from approximately RMB 164.5 million for the six months ended 30 June 2019 to approximately RMB 129.8 million for the six months ended 30 June 2020.

The Group's overall segment results margin slightly decreased from approximately 51.5% in the six months ended 30 June 2019 to approximately 50.8% in the six months ended 30 June 2020.

## RESEARCH AND DEVELOPMENT COSTS

The Group's research and development ("R&D") costs increased by approximately 28.2% from approximately RMB 25.4 million for the six months ended 30 June 2019 to approximately RMB 32.5 million for the six months ended 30 June 2020, mainly attributable to the increased investments in developing future products for long-term growth.

### OTHER INCOME AND GAINS

Other income and gains for the six months ended 30 June 2020 was approximately RMB 8.1 million, which was an increase from approximately RMB 2.6 million for the corresponding period in 2019. This increase was mainly due to the increase of compensation from legal action during the period under review.

### DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses for the six months ended 30 June 2020 was approximately RMB 23.0 million at a similar level as compared to approximately RMB 22.8 million for the corresponding period in 2019.

### ADMINISTRATIVE AND GENERAL EXPENSES

The Group's administrative and general expenses for the six months ended 30 June 2020 was approximately RMB 20.7 million, representing a decrease from approximately RMB 23.6 million for the corresponding period in 2019, mainly due to the effective cost control.

### OTHER EXPENSES AND LOSSES

Other expenses and losses for the six months ended 30 June 2020 slightly increased to approximately RMB 4.0 million from approximately RMB 3.7 million for the corresponding period in 2019, mainly due to the increase in impairment on trade receivables.

### INCOME TAX EXPENSES

Income tax expenses for the six months ended 30 June 2020 decreased to approximately RMB 12.1 million from approximately RMB 16.7 million for the corresponding period in 2019, mainly due to the decrease in profit during the period under review.

### PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the six months ended 30 June 2020 amounted to approximately RMB 77.7 million, representing a decrease of approximately 22.1% as compared to RMB 99.8 million for the six months ended 30 June 2019. For the period under review, net profit margin was approximately 30.4%.

### NET CURRENT ASSETS

As at 30 June 2020, the Group had net current assets of RMB 1,326.8 million (31 December 2019: RMB 1,261.2 million).



## FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2020, the Group's primary source of funding came from cash generated from its operating activities, the net cash inflow from operating activities amounted to approximately RMB 59.0 million (30 June 2019: approximately RMB 86.4 million). As at 30 June 2020, the Group had cash and cash equivalent of RMB 160.8 million (31 December 2019: RMB 140.6 million).

As at 30 June 2020, the Group had secured bank borrowings of RMB 74 million (31 December 2019: RMB 10 million) at variable interest rate. The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 4.3% (31 December 2019: 0.6%). Save as otherwise disclosed in this interim report, the Group had no significant contingent liabilities.

The capital structure of the Group consists of net debt (including the borrowings net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital, accumulated profits and other reserves). Relevant policies on capital risk management and financial instruments have no material changes from the disclosure in the Group's annual report for the year ended 31 December 2019 (the "2019 Annual Report"). Please refer to notes 24, 25 and 37 to the consolidated financial statements of the Group's 2019 Annual Report for more details.

## INTANGIBLE ASSETS

The Group's intangible assets consists 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 57.2 million (30 June 2019: RMB 53.2 million) and the addition to purchased software of RMB 44.3 million (30 June 2019: RMB 39.7 million) less the amortisation charges for the period under review.

## HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 712 employees (31 December 2019: 740). The Group offered its employees competitive salary packages, as well as discretionary bonuses and contributions to social insurance with the aim of retaining quality employees. In order to ensure that the Group's employees remain competitive in the industry, the Group implemented regular training programs managed by its human resources department. The Company has also adopted a share option scheme and a share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme are set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 12 to 15 of this interim report.

## FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is RMB. However, certain of the Group's bank balances and 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 risks.



During the period under review, the Group recorded an exchange loss of RMB 22,000 (30 June 2019: RMB 37,000). This exchange loss during the period under review was a result of the appreciation of RMB against the USD and HKD where during the period under review, the Group had net assets in USD and HKD.

No hedging arrangements against fluctuations in foreign exchange rates were made as at 30 June 2020. The Group will continue to closely monitor and manage its exposure to fluctuations in foreign exchange rates and make appropriate arrangements as and when necessary.

### CHARGE ON ASSETS

As at 30 June 2020, certain assets of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group. For more details, please refer to note 18 to the condensed consolidated financial statements (31 December 2019: certain assets of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group).

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2020, the Group did not have any significant investments.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2020, 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 plans to strengthen its R&D and operations, and is continuously on the look-out for material investments that can add value to the Group.

### OUTLOOK

Although the impact of the Pandemic on the economy continues and future challenges will not be resolved in a short period, the Group will continue to adhere to product innovation and optimization to help different clients enhance efficiency and solve management pain points. Meanwhile, by providing more competitive new data products, the Group will further consolidate its market position and strive for rapid growth again.

The Group continues to conduct in-depth research in operational difficulties encountered by export enterprises under the severe economic environment and foreign trade situation in the Pandemic, and develops application software and big data analytic services that can effectively assist clients in improving their operations and understanding market dynamics. Also, the Group will continue to transform and develop products coping with the informatization demands of enterprises' domestic trade business, to adapt to market changes under the new economic situation.



For the government big data products, the Group will continue to develop and promote products related to social governance and government services that are currently the most in demand by government at all levels. On the other hand, the Group has explored a new development direction for its judicial products by using blockchain technology to concatenate data under the protection of private and sensitive information in legal services, such as judicial authentication and notarization, and in law enforcement to further enhance the overall efficiency and fairness of judicial institutions. This innovative judicial product has been gradually implemented in some regions and will be promoted nationwide in the future.

In line with the policy direction of “new infrastructure”, the Group will continue to develop its green industrial internet platform to assist enterprises in improving their production efficiency, enhancing circular economy and achieving sustainable development. The green industrial internet platform has gradually gained support from more customers and will bring new impetus in the future.

The Group believes that through leveraging its experience and capabilities in various major business areas and committing R&D in more innovative software and big data products will bring continuous opportunities and maintain a long-term healthy business growth.

## INTERIM DIVIDEND

The board (the “Board”) of directors (the “Director(s)”) of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

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

As at 30 June 2020, interests or short positions in the shares of the Company (the “Share(s)”), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) are as follows:

Name of Director	Personal interests	Corporate interests	Interest of spouse	Number of Shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Ms. Xin Yingmei	—	507,873,400 (L) (Note 3)	78,977,000 (L) (Note 4)	586,850,400 (L)	48.01%
Mr. Su Hui	50,000 (L)	—	—	50,000 (L)	0.00%

Notes:

- (1) As at 30 June 2020, the Company had 1,222,384,600 shares in issue.
- (2) The letter “L” denotes the person’s long position in such securities.
- (3) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.
- (4) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these Shares.

Save as disclosed above, none of the Directors, or chief executives of the Company and/or any of their respective associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any of its associated corporations as at 30 June 2020, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2020, the persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholder	Capacity	Number of Shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Long Capital International Limited	Beneficial owner	507,873,400 (L) (Note 3)	41.55%
Telewise Group Limited	Beneficial owner	78,977,000 (L) (Note 4)	6.46%
Wang Xiaogang	Interest of a controlled corporation	78,977,000 (L) (Note 4)	6.46%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 5,6)	13.50%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5,6)	13.50%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5,6)	13.50%
FIL Limited	Interest of a controlled corporation	111,255,400 (L) (Note 7,8)	9.10%
Pandanus Associates Inc.	Interest of a controlled corporation	111,255,400 (L) (Note 8)	9.10%
Pandanus Partners L.P.	Interest of a controlled corporation	111,255,400 (L) (Note 8)	9.10%
Fidelity China Special Situations Plc	Beneficial owner	73,677,000 (L) (Note 7)	6.03%

### Notes:

- (1) As at 30 June 2020, the Company had 1,222,384,600 shares in issue.
- (2) The letter "L" denotes the person's long position in such securities.
- (3) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.
- (4) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

- (5) Alibaba.com Investment Holding Limited is wholly-owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.
- (6) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.
- (7) The beneficial ownership of the 73,677,000 shares held by Fidelity China Special Situations Plc arises in the context of passive investment activities only by the various investment accounts managed by FIL Limited on a discretionary basis.
- (8) Pandanus Partners L.P., a wholly-owned subsidiary of Pandanus Associates Inc., is deemed to be interested in 111,255,400 shares of the Company through its direct interest in FIL Limited.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2013.

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

#### 1. Purpose of the Share Option Scheme:

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

- (i) motivate the Eligible Participants under the Share Option Scheme to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants under the Share Option Scheme whose contributions are or will be beneficial to the long-term growth of the Group.



## 2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “Eligible Participants under the Share Option Scheme” or each of whom, the “Eligible Participant under the Share Option Scheme”) to subscribe for such number of new Shares as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

## 3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this interim report:

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

As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme was 100,000,000 shares, which represented 8.2% of the shares in issue.

## 4. Maximum entitlement of each participant under the Share Option Scheme:

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant under the Share Option Scheme, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant under the Share Option Scheme and his/her associates (as defined in the Listing Rules) abstaining from voting.



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

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

**6. The minimum period for which an option must be held before it can be exercised:**

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

**7. The basis of determining the exercise price:**

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

**8. The remaining life of the Share Option Scheme:**

It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme. During the six months ended 30 June 2020, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

## SHARE AWARD SCHEME

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

- (i) to recognise and motivate the contributions by any employee of the Group and non-executive Director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive Director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the “Eligible Participants under the Share Award Scheme”) and to give incentives thereto in order to retain them for the continual operation and development of the Group;
- (ii) to attract suitable personnel for further development of the Group; and
- (iii) to provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.



The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, Shares will be acquired by the independent trustee, ARK Trust (Hong Kong) Limited (the “Trustee”) at the cost of the Company from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the Trustee shall not subscribe or purchase any further Shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016 and 12 June 2017, the Board has further resolved that a sum of up to HKD 40 million and HKD 50 million be provided for the purchase of Shares to be awarded to the participants to be selected by the Board respectively. Details of the further share purchase under the Share Award Scheme are set out in the announcements of the Company dated 13 December 2016 and 12 June 2017.

On 22 August 2018, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 16,005,000 awarded Shares to 113 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded Shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 22 August 2018.

During the six months ended 30 June 2020, no Shares have been granted or agreed to be granted to any Eligible Participants under the Share Award 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 2020, 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 and Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. 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 six months ended 30 June 2020.

### REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “**Remuneration Committee**”) on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1.2 of the CG Code. The Remuneration Committee consists of one executive Director, being Mr. Su Hui and two independent non-executive Directors, being Mr. 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 code provisions A.5.1 and A.5.2 of the CG Code. The Nomination Committee consists of one executive Director, being Ms. Xin Yingmei, and two independent non-executive Directors, being Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Ms. Xin Yingmei serving as the chairlady of the Nomination Committee. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

## INVESTMENT MANAGEMENT COMMITTEE

The Company has established an investment management committee (the “Investment Management Committee”) on 31 October 2012. The Investment Management Committee consists of three independent non-executive Directors, namely, Mr. 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 2020. 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 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2020 has been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included on pages 18 to 19 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2020 have also been reviewed by the Audit Committee.

By Order of the Board  
Sinosoft Technology Group Limited  
Xin Yingmei  
*Chairlady*

Hong Kong, 28 August 2020



# 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 20 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34.

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

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, 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 for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 28 August 2020

**Choi Kwong Yu**

Practising certificate number P05071



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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	255,687	319,284
Value-added tax refund		3,610	1,580
Cost of sales and services		(96,952)	(130,987)
Research and development costs		(32,524)	(25,361)
Other income and gains	5	8,052	2,586
Distribution and selling expenses		(22,980)	(22,777)
Administrative and general expenses		(20,666)	(23,617)
Finance costs		(370)	(513)
Other expenses and losses	6	(4,034)	(3,684)
Profit before taxation	7	89,823	116,511
Taxation	8	(12,083)	(16,668)
Profit and total comprehensive income for the period		<u>77,740</u>	<u>99,843</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		79,221	100,947
Non-controlling interests		(1,481)	(1,104)
		<u>77,740</u>	<u>99,843</u>
		RMB (unaudited)	RMB (unaudited)
<b>Earnings per share</b>			
— Basic and diluted (in RMB cents)	9	<u>6.48</u>	<u>8.26</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020



	NOTE	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	91,751	94,647
Right-of-use assets	11	13,952	14,218
Restricted bank deposits		28,160	28,160
Intangible assets	12	336,788	317,083
Financial assets at fair value through profit or loss	13	—	—
		<u>470,651</u>	<u>454,108</u>
<b>Current assets</b>			
Inventories		2,462	1,018
Trade and other receivables	15	1,395,141	1,369,653
Pledged bank deposits		1,884	1,884
Bank balances and cash		160,789	140,577
		<u>1,560,276</u>	<u>1,513,132</u>
<b>Current liabilities</b>			
Trade and bills payables	17	61,784	106,095
Other payables		87,151	107,983
Contract liabilities		9,669	8,567
Lease liabilities		143	248
Borrowings	18	74,000	10,000
Tax liabilities		705	19,062
		<u>233,452</u>	<u>251,955</u>
Net current assets		<u>1,326,824</u>	<u>1,261,177</u>
Total assets less current liabilities		<u>1,797,475</u>	<u>1,715,285</u>
<b>Non-current liabilities</b>			
Lease liabilities		19	19
Deferred tax liabilities	14	78,324	73,874
		<u>78,343</u>	<u>73,893</u>
Net assets		<u>1,719,132</u>	<u>1,641,392</u>
<b>Capital and reserves</b>			
Share capital	19	9,876	9,876
Reserves		1,702,928	1,623,707
Equity attributable to owners of the Company		<u>1,712,804</u>	<u>1,633,583</u>
Non-controlling interests		6,328	7,809
Total equity		<u>1,719,132</u>	<u>1,641,392</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Equity attributable to owners of the Company								
	Share capital	PRC		Share held under share			Total	Non-controlling interests	Total equity
		statutory reserve	Capital reserve	Share premium	award scheme	Accumulated profits			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2019 (audited)	9,876	134,835	2,627	257,539	(45,021)	1,004,631	1,364,487	3,517	1,368,004
Profit and total comprehensive income for the period	—	—	—	—	—	100,947	100,947	(1,104)	99,843
Dividends (Note 10)	—	—	—	—	—	(24,448)	(24,448)	—	(24,448)
Share award granted	—	—	—	—	6,304	—	6,304	—	6,304
At 30 June 2019 (unaudited)	<u>9,876</u>	<u>134,835</u>	<u>2,627</u>	<u>257,539</u>	<u>(38,717)</u>	<u>1,081,130</u>	<u>1,447,290</u>	<u>2,413</u>	<u>1,449,703</u>
At 1 January 2020 (audited)	9,876	138,664	6,488	257,539	(38,717)	1,259,733	1,633,583	7,809	1,641,392
Profit and total comprehensive income for the period	—	—	—	—	—	79,221	79,221	(1,481)	77,740
At 30 June 2020 (unaudited)	<u>9,876</u>	<u>138,664</u>	<u>6,488</u>	<u>257,539</u>	<u>(38,717)</u>	<u>1,338,954</u>	<u>1,712,804</u>	<u>6,328</u>	<u>1,719,132</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net cash generated from operating activities	59,026	86,376
Investing activities:		
Purchase of property, plant and equipment	(845)	(2,050)
Proceeds on disposal of property, plant and equipment	—	22
Payment for the cost incurred of intangible assets	(101,440)	(92,918)
Withdrawal of pledged bank deposits	—	1,037
Placement of deposits with banks with original maturity date over three months	—	(30,000)
Net cash used in investing activities	(102,285)	(123,909)
Financing activities:		
New bank loan raised	74,000	20,000
Repayment of borrowings	(10,000)	(50,000)
Capital element of lease rentals paid	(137)	—
Interest element of lease rentals paid	(6)	—
Interest paid	(364)	(513)
Net cash generated from/(used in) financing activities	63,493	(30,513)
Net increase/(decrease) in cash and cash equivalents	20,234	(68,046)
Cash and cash equivalents at the beginning of the period	140,577	190,506
Effect of foreign exchange rate changes	(22)	(37)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	160,789	122,423



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 July 2013. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries (the Company and subsidiaries are collectively referred to as the "Group") in the People's Republic of China (the "PRC") are software development, system integration, sales of related computer products and provision of other related services.

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

The condensed consolidated financial statements are presented in Renminbi ("RMB"), 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 except for certain financial instruments that are measured at revalued amounts of fair values.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

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

### Application of new and amendments to International Financial Reporting Standards ("IFRSs") for the current period

In the current interim period, the Group has applied, for the first time, following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19 Related Rent Concessions</i>



## 2. PRINCIPAL ACCOUNTING POLICIES — continued

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

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

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

For management purposes, the Group is organised into four core product lines, namely export enterprise cloud-based software and services, government big data software and related services, low carbon & ecology software and related services and system integration solutions. These products form the basis on which the Group reports its segment information.

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

### Segment revenue

	Six months ended 30 June 2020 (unaudited)				Total RMB'000
	Government big data software and related services RMB'000	Export enterprise cloud-based software and services RMB'000	Low carbon & ecology software and related services RMB'000	System integration solutions RMB'000	
<b>Types of goods or services</b>					
Sales of software product	166,250	28,716	23,107	—	218,073
Sales of hardware product	—	—	—	6,133	6,133
Service income	1,418	30,063	—	—	31,481
<b>Total</b>	<b>167,668</b>	<b>58,779</b>	<b>23,107</b>	<b>6,133</b>	<b>255,687</b>
<b>Timing of revenue</b>					
At point of time	166,250	28,716	23,107	6,133	224,206
Over time	1,418	30,063	—	—	31,481
<b>Total</b>	<b>167,668</b>	<b>58,779</b>	<b>23,107</b>	<b>6,133</b>	<b>255,687</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

#### Segment revenue — *continued*

	Six months ended 30 June 2019 (unaudited)				Total RMB'000
	Government big data software and related services RMB'000	Export enterprise cloud-based software and services RMB'000	Low carbon & ecology software and related services RMB'000	System integration solutions RMB'000	
<b>Types of goods or services</b>					
Sales of software product	179,979	35,842	47,900	—	263,721
Sales of hardware product	—	—	—	24,678	24,678
Service income	453	30,432	—	—	30,885
<b>Total</b>	<b>180,432</b>	<b>66,274</b>	<b>47,900</b>	<b>24,678</b>	<b>319,284</b>
<b>Timing of revenue</b>					
At point of time	179,979	35,842	47,900	24,678	288,399
Over time	453	30,432	—	—	30,885
<b>Total</b>	<b>180,432</b>	<b>66,274</b>	<b>47,900</b>	<b>24,678</b>	<b>319,284</b>

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Segment results</b>		
Government big data software and related services	79,660	82,670
Export enterprise cloud-based software and services	46,766	55,653
Low carbon & ecology software and related services	3,258	25,644
System integration solutions	137	549
<b>Total segment results</b>	<b>129,821</b>	<b>164,516</b>
Other income and gains	8,052	2,586
Distribution and selling expenses	(22,980)	(22,777)
Administrative and general expenses	(20,666)	(23,617)
Finance costs	(370)	(513)
Other expenses and losses	(4,034)	(3,684)
<b>Profit before taxation</b>	<b>89,823</b>	<b>116,511</b>
Taxation	(12,083)	(16,668)
<b>Profit and total comprehensive income for the period</b>	<b>77,740</b>	<b>99,843</b>



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

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

Segment results represent the sum of revenue and value-added tax refund less cost of sales and services and research and development costs of the relevant services/product line. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

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

#### Geographical information

The Group's non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities. Substantially all of the Group's revenue is derived from the PRC.

### 4. RESULTS FOR THE PERIOD

Whilst the sales of export enterprise cloud-based software and services are generally stable throughout the year, the sales of government big data software and related services, low carbon & ecology software and related services 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 INCOME AND GAINS

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest income	1,052	732
Government grants (Note 1)	1,075	747
Compensation income (Note 2)	4,629	630
Others	1,296	477
	<u>8,052</u>	<u>2,586</u>

Note 1: The grants are incentives received by the PRC subsidiaries for eminent contributions to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred, and not related to any assets.

Note 2: The compensation income represents the compensation received/receivable from legal action.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 6. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Impairment on trade receivables (Note 16)	3,948	3,550
Net foreign exchange loss	22	37
Others	64	97
	<u>4,034</u>	<u>3,684</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Depreciation of property, plant and equipment	3,741	3,701
Depreciation of right-of-use assets	118	180
Amortisation of intangible assets:		
– amortisation of capitalised software costs (included in cost of sales)	51,044	38,463
– amortisation of other software (included in research and development costs)	30,691	22,732
	<u>85,594</u>	<u>65,076</u>
Finance costs	370	513
Net foreign exchange loss	22	37
Cost of inventories recognised as an expense	<u>38,833</u>	<u>86,303</u>



## 8. TAXATION

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	7,083	10,468
Deferred tax charge:		
Current period	5,000	6,200
	<u>12,083</u>	<u>16,668</u>

## Note:

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

- On 31 October 2014, Nanjing Skytech Co., Limited ("**Nanjing Skytech**") and Jiangsu Skyinformation Co., Limited ("**Jiangsu Skyinformation**") obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax rate for both Nanjing Skytech and Jiangsu Skyinformation from Year 2014 to Year 2016 were 15%. The latest review was conducted in October 2017, pursuant to which Nanjing Skytech and Jiangsu Skyinformation were granted the written certification by the relevant tax authorities, maintained its status as the "High-tech Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019.

In addition to being recognised as a "High-tech Enterprise", enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Key Software Enterprise under the National Plan" for the year, it can further enjoy a preferential tax rate of 10%. In 2016, Cai Shui [2016] No.49 has been enacted that an entity can register for the "Key Software Enterprise under the National Plan" with the tax bureau if the entity complies with relevant requirements. Nanjing Skytech was considered to meet those requirements because in pursuant to the Company's announcement dated 6 September 2019, Nanjing Skytech was again recognised as "Key Software Enterprise under the National Plan" by relevant government authorities and continues to enjoy the 10% preferential enterprise corporate income tax rate. Therefore, Nanjing Skytech uses a preferential corporate income tax rate of 10% (six months ended 30 June 2019: 10%) for the current period.

- Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("**Quan Shui Tong**") was formerly eligible for certain tax holidays and concessions and was 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. The tax holidays and concessions for Quan Shui Tong was ended after the year ended 31 December 2018. On 3 December 2018, Quan Shui Tong obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax for Quan Shui Tong from Year 2018 to Year 2020 are 15%. Pursuant to the Company's announcement dated 6 September 2019, Quan Shui Tong was also recognised as "Key Software Enterprise under the National Plan" by relevant government authorities for the first time to enjoy the 10% preferential enterprise corporate income tax rate. Therefore, Quan Shui Tong used a preferential corporate income tax rate of 10% (six months ended 30 June 2019: 15%) for the current period.

## 8. TAXATION — *continued*

Note: — *continued*

3. The applicable EIT rate for Zhenjiang Skyinformation Co., Limited (“Zhenjiang Skyinformation”), Jiangsu Skytech Investment Management Co., Limited, (“Jiangsu Skytech Investment”), Qingdao Skytech Software Co., Limited (“Qingdao Skytech”), Nanjing Aisita Real Estate Co., Limited (“Nanjing Aisita”), Jiangsu Skytech Industrial Internet Co., Limited and Jiangsu Skytech Zumoo Co., Limited (“Jiangsu Skytech Zumoo”) are 25% for the six months ended 30 June 2020 and 2019.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the unaudited profit for the six months ended 30 June 2020 of approximately RMB 79,221,000 (six months ended 30 June 2019: RMB 100,947,000) and 1,222,384,600 shares (six months ended 30 June 2019: 1,222,384,600 shares).

Dilutive earnings per share is the same as basic earnings per share as the Group had no potential outstanding ordinary shares throughout the six months ended 30 June 2020 and 30 June 2019.

## 10. DIVIDENDS

During the six months ended 30 June 2020, no final dividend for the year ended 31 December 2019 was proposed by the Company’s directors on 30 March 2020. The directors did not recommend payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB nil).

During the six months ended 30 June 2019, a final dividend for the year ended 31 December 2018 amounting to RMB 0.02 (approximately HKD 0.0227) per share was proposed by the Company’s directors on 25 March 2019, and subsequently approved at the annual general meeting dated 18 June 2019.

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

During the six months ended 30 June 2019, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB 12,000 for cash proceeds of RMB 22,000, resulting in a gain on disposal of RMB 10,000. There are no disposal of plant and machinery during the six months ended 30 June 2020.

In addition, during the six months ended 30 June 2020, the Group paid RMB 845,000 (six months ended 30 June 2019: RMB 2,050,000) for certain new electrical and office equipment and motor vehicles.

During the six months ended 30 June 2020, the Group entered into a new lease agreement with lease terms of two years. On lease commencement date, the Group recognised right-of-use assets of RMB 32,390 (six months ended 30 June 2019: RMB nil) and lease liabilities of RMB 32,390 (six months ended 30 June 2019: RMB nil).



## 12. INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group incurred the additions of cost at approximately RMB 101,440,000 (six months ended 30 June 2019: RMB 92,918,000) which represented the capitalised software costs generated internally amounting to approximately RMB 57,183,000 (six months ended 30 June 2019: RMB 53,244,000) and other purchased software amounting to approximately RMB 44,257,000 (six months ended 30 June 2019: RMB 39,674,000) for the new software product development.

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

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Financial assets measured at fair value through profit or loss:		
Unlisted equity securities	—	—

The balance represents 4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Limited 江蘇賽聯信息產業研究院股份有限公司 (“Cyberunion”), a private entity established in the PRC. As at 30 June 2020 and 31 December 2019, the directors of the Company considered that the recoverable amount is zero in Cyberunion in view of it was still in the process of voluntary liquidation with no residual value. The details of measurement and changes in fair value is described in Note 24.

#### 14. DEFERRED TAXATION

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the six months ended 30 June 2020 and the year ended 31 December 2019:

	Expected credit losses provision RMB'000	Undistributed profits of subsidiaries RMB'000	Capitalised software costs RMB'000	Total RMB'000
At 1 January 2019 (audited)	595	(35,038)	(16,701)	(51,144)
Credit/(charge) to profit or loss	355	(4,000)	(2,555)	(6,200)
At 30 June 2019 (unaudited)	950	(39,038)	(19,256)	(57,344)
Credit/(charge) to profit or loss	220	(13,800)	(2,950)	(16,530)
At 31 December 2019 (audited)	<u>1,170</u>	<u>(52,838)</u>	<u>(22,206)</u>	<u>(73,874)</u>
At 1 January 2020 (audited)	<b>1,170</b>	<b>(52,838)</b>	<b>(22,206)</b>	<b>(73,874)</b>
Credit/(charge) to profit or loss	397	(5,000)	(397)	(5,000)
Reversal upon payment of withholding tax	—	550	—	550
At 30 June 2020 (unaudited)	<u><b>1,567</b></u>	<u><b>(57,288)</b></u>	<u><b>(22,603)</b></u>	<u><b>(78,324)</b></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 are 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 2020 and 31 December 2019, 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.





## 15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables	1,338,234	1,283,863
Less: Expected credit loss allowance	(15,652)	(11,704)
	<u>1,322,582</u>	<u>1,272,159</u>
Prepayments to suppliers	58,232	79,050
Prepayment to the trustee	1,454	1,438
Deposits	3,954	6,021
Value-added tax recoverable	2,996	4,783
Advances to employees	2,394	4,970
Others	3,529	1,232
	<u>1,395,141</u>	<u>1,369,653</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 credit losses and is presented based on the date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0 to 60 days	199,466	364,061
61 to 90 days	5,604	24,701
91 to 180 days	13,555	2,744
181 days to 365 days	327,495	260,441
Over 1 year but less than 2 years	457,451	393,697
Over 2 years	319,011	226,515
	<u>1,322,582</u>	<u>1,272,159</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 16. IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	<u>3,948</u>	<u>3,550</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

### 17. TRADE AND BILLS PAYABLES

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

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
	0 to 90 days	52,864
91 to 180 days	2,756	581
181 days to 365 days	2,810	3,921
Over 1 year	<u>3,354</u>	<u>2,314</u>
	<u>61,784</u>	<u>106,095</u>

The trade and bills payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from invoice date.



## 18. BORROWINGS

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Secured bank borrowings carried interest at variable rate	<u>74,000</u>	<u>10,000</u>

The effective interest rates of bank borrowings are ranging from 3.50% to 3.92% (31 December 2019: one year Loan Prime Rate in PRC plus 4 basis points) per annum as at 30 June 2020.

As at 30 June 2020, the Group obtained two new short-term bank loan amounting to RMB 44,000,000 and RMB 30,000,000. The bank loan amount of RMB 44,000,000 was secured by corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company and the bank loan amount of RMB 30,000,000 was secured by personal guarantee of Ms. Xin Yingmei, Chairlady of the Company.

As at 31 December 2019, the Group has a short-term bank loan amounting to RMB 10,000,000. The loan was secured by corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company and leasehold lands and owned buildings of the Group with carrying amounts of approximately RMB 13,948,000 and RMB 86,945,000 respectively.

## 19. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	Number of shares '000	RMB'000
Authorised shares of HKD 0.01 each: At 30 June 2020 (unaudited) and 31 December 2019 (audited)	<u>8,000,000</u>	<u>59,128</u>
Issued and fully paid shares of HKD 0.01 each At 30 June 2020 (unaudited) and 31 December 2019 (audited)	<u>1,222,385</u>	<u>9,876</u>

There was no movement in the Company's share capital for the six months ended 30 June 2020 and 30 June 2019.

## 20. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Pre-IPO Share Option Scheme

Pursuant to the written resolution passed on 11 June 2013, the Company adopted a pre-IPO share option scheme (the “Share Option Scheme”) to (i) motivate the personnel to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the personnel whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

As at 30 June 2020 and 31 December 2019, no option has been granted under the Share Option Scheme since its adoption date.

### (b) Share Award Scheme

The Company adopted a share award scheme (the “Share Award Scheme”) on 13 December 2016 (the “Adoption Date”) with a duration of 10 years commencing from the Adoption Date. The objectives of the Share Award Scheme are to (i) recognise and motivate the contributions by certain employees and non-executive directors of the Company and/or any member of the Group who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any member of the Group (“Eligible Participants”) and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; and (iii) provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

During the year ended 31 December 2016 and 31 December 2017, 5,550,000 and 10,303,000 ordinary shares of the Company have been acquired by the Company through its trustee, ARK Trust (Hong Kong) Limited (the “Trustee”), at aggregate costs of approximately HKD 13,700,000 (equivalent to approximately RMB 12,255,000) and HKD 26,300,000 (equivalent to approximately RMB 23,396,000) (the “First Contributed Amount”) respectively.

Pursuant to the Company’s announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD 50 million (equivalent to approximately RMB 44,131,000) for the purchase Company’s ordinary shares through the Trustee to be awarded to the Eligible Participants as to be selected by the Board of Directors (the “Second Contributed Amount”). The Second Contributed Amount will be paid to the Trustee as and when required.

During the year ended 31 December 2017 and 31 December 2018, 15,577,000 and 4,226,000 ordinary shares of the Company have been acquired by the Company through its Trustee, at an aggregate cost of approximately HKD 37,398,000 (equivalent to approximately RMB 31,795,000) and HKD 9,999,000 (equivalent to approximately RMB 8,098,000) respectively.



## 20. SHARE-BASED PAYMENT TRANSACTIONS — *continued*

### (b) Share Award Scheme — *continued*

For the year ended 31 December 2018, the Group has granted a total of 16,005,000 shares of the Company to 113 employees whom are Eligible Participants pursuant to the scheme at nil consideration on 22 August 2018. The value of approximately HKD 43,533,600 (equivalent to approximately RMB 36,827,000), taking into account of the average closing price of HKD 2.72 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant. As at 31 December 2018, 13,265,000 granted shares have been transferred to employees and the remaining 2,740,000 granted shares were transferred to employees in January 2019.

For the six months ended 30 June 2020, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to the Share Award Scheme.

## 21. RELATED PARTY TRANSACTIONS

### 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 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Short-term benefits	2,479	2,320
Retirement benefits scheme contributions	74	119
	<u>2,553</u>	<u>2,439</u>

## 22. 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 itself or through the joint venture company 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 of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd (南京南華擎天資訊科技有限公司) (“Nanhua Skytech”). The Group had issued a defend letter and filed an appeal to the Higher People’s Court of Jiangsu Province (“Higher Court”). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People’s Court of The People’s Republic of China (“Supreme People’s Court”). On 3 August 2016, the Group received a notice of case registration from the Supreme People’s Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People’s Court. Pursuant to the Company’s further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People’s Court (the “Beijing Court”) for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award (“CIETAC Arbitral Award”) which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful’s application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful’s application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company’s announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People’s Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 30 June 2020 and prior years.

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



## 23. OPERATING LEASES

Minimum lease payments paid under operating leases during the period:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Minimum lease payments paid under operating leases	<u>825</u>	<u>843</u>

The Group had outstanding commitments payable under non-cancellable operating leases in respect of its office premises which fall due as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
	Within one year	<u>604</u>

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases were originally negotiated for a term within 1 year at fixed rental.

## 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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



24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS — *continued*

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

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: RMB nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group has a team headed by a valuation committee in performing valuations for the financial instruments, including the inputs for fair value measurements in unlisted equity securities and the conversion option embedded in share options. The team reports directly to the chief financial officer and the audit committee. A valuation report either performed by third party qualified valuers or by the team themselves with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	30 June 2020	31 December 2019			
	(unaudited)	(audited)			
Unlisted equity investments	4% equity investment in the Cyberunion was valued at RMB nil	4% equity investment in the Cyberunion was valued at RMB nil	Level 3	Adjusted net asset value method	N/A

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 30 June 2020 and 31 December 2019 because of their short-term maturities and was under voluntary liquidation.

There is no reconciliation of Level 3 fair value during the six months ended 30 June 2020 and 2019.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

25. EVENT AFTER REPORTING PERIOD

**Outbreak of Novel Coronavirus**

The wide spread of the Novel Coronavirus in the PRC since the beginning of 2020 is a turbulent and challenging situation facing by all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and minimise the impact. The Group will continue to pay attention on the change of situation and make timely response and adjustments in the future.