



**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



**2021**

**Interim Report**

## CONTENTS

## PAGE(S)

Corporate Information	2
Management Discussion and Analysis	4
Other Information	12
Report on Review of Condensed Consolidated Financial Statements	20
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	24
Condensed Consolidated Statement of Changes In Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	27

# 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

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Tricor Investor Services Limited  
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

## BUSINESS DEVELOPMENT

In 2021, although economies, industries, and people's lifestyles have not yet escaped from the impact of the Coronavirus Disease 2019 ("COVID-19"), they are undergoing reform in the changing environment and seeking new opportunities. Sinosoft Technology Group Limited (the "Company" and its subsidiaries collectively, the "Group") is actively responding to the market development in this post-pandemic era, investing in research and development ("R&D") in accordance with the policy background and requirements, optimizing business strategies, and launches innovative products and services to lay the foundation for long-term development.

### Low Carbon & Ecology Software and Related Services

China's strategic background of "dual carbon", which means reaching carbon peaks before 2030 and carbon neutrality before 2060, coupled with the intention to impose carbon tariffs in import markets around the world, have made different enterprises generate keen demand for green transformation and upgrades. Under these opportunities, the Group closely follows policies development and strives to enhance its capabilities in carbon emission "monitoring, reporting, and verification" ("MRV"), to exert efforts at regional and industrial levels continuously.

At regional management level, the Group is upgrading the city carbon platform to a "dual carbon" management platform. The Group will further strengthen its edges in leading products with "carbon emission standards database", to construct a multivariate analysis model for regional zero-carbon development, conduct correlation analysis between the regional "dual carbon" target and factors such as economic development, energy consumption, emissions, etc., and to establish an assessment system to facilitate control capabilities improvement and digital tracking process in order to meet the new requirements of "dual carbon" authorities of governments at all levels and parks.

At industry regulatory level, the Group is upgrading the low carbon digital management capabilities of industries, construction, transportation, forestry, etc. into industries "dual carbon" regulatory platform and solutions. Based on the Group's accumulated carbon emission statistical and accounting capabilities in different industries, through conducting analysis algorithms tailored to specific carbon emission characteristics of various industries and scenarios, the Group aims to achieve regulatory requirements of carbon reduction in areas such as green production, low energy consumption construction, and high efficiency transportation, as well as the management requirement in forestry for increasing carbon absorption.

### Government Big Data Software and Related Services

In the post-pandemic era, various types of online services have penetrated different communities and grassroots applications are becoming more important. During the six months ended 30 June 2021 (the "Reporting Period"), the Group combined its years of accumulated experience and expertise in government services with blockchain, knowledge management and remote service capabilities to develop grassroots application products, including i) digital authentication; ii) public service intelligent devices; and iii) city safety governance.

**i) Digital authentication**

In recent years, the country has increased its investment in promoting judicial justice and enhancing judicial credibility, in particular, to strengthen the use of new technologies for improving the transparency of judicial service information, and to reduce the risk of ambiguity and tampering of public legal service documents. During the Reporting Period, the Group completed the integration of its authentication business with blockchain technology, and successfully carried out the judicial authentication certificates electronic storage, coding and blockchain verification, and established a “judicial authentication chain”. Currently, certificates electronic storage on the blockchain has covered the whole country, with a total of about millions of certificates, and will increase yearly. The Group will also accelerate the promotion of software as a services (“SaaS”) applications extended from the blockchain in the second half of the year, and provide services to judicial departments and judicial authentication agencies in provinces and cities across the country.

**ii) Public service intelligent devices**

As governments at all levels across the country pay increasing attention to building grassroots application capacities, related demands are expanding. Leveraging the service capabilities, expert resources, and business experience accumulated in government products over the years, as well as the refined knowledge base, the Group has developed integrated intelligent machines in fields of public services such as legal services, community governance, and grassroots deliberations, and has launched SaaS specialty services. Currently, the Group’s public legal service integrated machine has been sold for more than 500 units nationwide. The community correction terminal has also completed pilot sales during the Reporting Period and is ready to be promoted nationwide. These integrated devices will be coupled with the public grassroots service SaaS applications which will be launched continuously to form a new market in the future.

**iii) City safety governance**

With the background of the COVID-19 pandemic, natural disasters, and frequent production accidents, the country has a strong demand for a governance model using technological means to improve city early warning capabilities and social safety and stability. The Group’s long-term effort in social governance solutions and city emergency management solutions have formed a new integration and a number of products recognized by the industry were launched. The Skytech Smart Emergency Management Platform, which was tested in multiple areas and selected as the advanced case of “smart emergency management” by the Ministry of Emergency Management, is ready to be promoted nationwide; the Skytech “1+5+N” Smart Emergency Solution was awarded the 2020 China Software Industry Outstanding Solution; the Skytech Emergency Command Platform Software V2.0 was included in the list of the 26th Jiangsu highlighted application of new technology and new product; the multi-level linked City Emergency Management Big Data Application was selected as the 2021 Jiangsu Big Data Industry Development Pilot Demonstration Project.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

For the six months ended 30 June 2021, the Group's revenue and other figures from the continuing operations in the statement of profit and loss included businesses of government big data software and related services and low carbon & ecology software and related services.

The Group's export enterprise cloud-based software and services, which was disposed of during the year ended 31 December 2020, was classified as discontinued operation since 27 November 2020.

System integration solutions, which was classified as a separate product line in prior periods, is a complementary service and its business nature had become more correlated to the Group's government big data software and related services instead of a standalone product line. Therefore, during the six months ended 30 June 2021, system integration solutions was merged into government big data software and related services.

The comparative figures for the six months ended 30 June 2020 were restated as if the discontinued operation had been discontinued, and the system integration solutions had been merged at the beginning of that period, to provide a consistent comparative basis.

For the six months ended 30 June 2021, the Group's revenue from continuing operations recorded approximately RMB 206.7 million, representing an approximately 5.0% increase when compared to RMB 196.9 million for the corresponding period in 2020 (restated), mainly due to the recovering demand for low carbon & ecology products.

#### Low Carbon & Ecology Software and Related Services

Demand for low carbon & ecology products saw the sign of recovery under multiple favourable policies. For the six months ended 30 June 2021, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 36.1 million, representing an increase of approximately 56.3% when compared to approximately RMB 23.1 million for the corresponding period in 2020.

#### Government Big Data Software and Related Services

For the six months ended 30 June 2021, the Group's revenue generated from government big data software and related services amounted to approximately RMB 170.6 million, representing a slight decrease of approximately 1.8% when compared to approximately RMB 173.8 million for the corresponding period in 2020 (restated). Despite the challenging economic environment, demand for the Group's government big data products remained stable.

## COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing systems and components for some of its projects. For the six months ended 30 June 2021, the Group's cost of sales from continuing operations was approximately RMB 144.3 million, representing an increase of approximately 63.2% when compared to approximately RMB 88.4 million for the six months ended 30 June 2020 (restated). During the Reporting Period, both amortisation of capitalised software development cost and costs spent on purchasing system and components have increased which is attributable to the intensifying investment in developing government big data and low carbon & ecology products.

## SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results represents the sum of revenue and value-added tax refund less cost of sales and research and development costs. For the six months ended 30 June 2021, the segment results of the Group's continuing operations were approximately RMB 21.9 million, representing a decrease of approximately 73.6% as compared to approximately RMB 83.1 million for the six months ended 30 June 2020 (restated).

The segment results margin of the Group's continuing operations was approximately 10.6% for the six months ended 30 June 2021, representing a decrease from approximately 42.2% for the six months ended 30 June 2020 (restated).

## RESEARCH AND DEVELOPMENT COSTS

For the six months ended 30 June 2021, the Group's R&D costs from continuing operations amounted to approximately RMB 40.6 million, representing an increase of approximately 47.6% as compared to approximately RMB 27.5 million for the six months ended 30 June 2020 (restated), mainly attributable to the increased investments in developing future products for long-term growth.

## OTHER INCOME AND GAINS

For the six months ended 30 June 2021, the Group's other income and gains from continuing operations was approximately RMB 10.4 million, which was an increase from approximately RMB 7.6 million for the six months ended 30 June 2020 (restated). The increase was mainly due to the increase in interest income during the Reporting Period.

## OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2021, the Group's other expenses and losses from continuing operations amounted to approximately RMB 5.4 million, which was increased from approximately RMB 4.0 million for the six months ended 30 June 2020 (restated), mainly due to the increase in impairment on trade receivables during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### DISTRIBUTION AND SELLING EXPENSES

For the six months ended 30 June 2021, the Group's distribution and selling expenses from continuing operations was approximately RMB 10.1 million, representing a slight decrease from approximately RMB 10.9 million for the six months ended 30 June 2020 (restated), mainly attributable to less marketing activities.

### GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, the Group's general and administrative expenses from continuing operations was approximately RMB 45.4 million, which was increased from approximately RMB 17.1 million for the six months ended 30 June 2020 (restated), mainly due to the cost incurred by the grant of awarded shares to certain employees.

### INCOME TAX EXPENSES

For the six months ended 30 June 2021, the Group's income tax expenses from continuing operations recorded a write-back of approximately RMB 1.5 million, as compared to the income tax expenses of approximately RMB 8.9 million for the six months ended 30 June 2020 (restated). The write-back was mainly due to the deferred tax credit during the Reporting Period.

### LOSS/PROFIT AND TOTAL COMPREHENSIVE EXPENSE/INCOME

For the six months ended 30 June 2021, the Group recorded a loss and total comprehensive expense from continuing operations of approximately RMB 28.6 million, as compared to a profit and total comprehensive income from continuing operations of approximately RMB 49.3 million, and a profit and total comprehensive income from continuing operations and discontinued operation of approximately RMB 77.7 million for the six months ended 30 June 2020.

### NET CURRENT ASSETS

As at 30 June 2021, the Group had net current assets of RMB 1,485.3 million (31 December 2020: RMB 1,796.6 million).

### FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2021, the Group's primary source of funding came from cash generated from its operating activities. During the Reporting Period, the Group recorded a net cash outflow from operating activities amounted to approximately RMB 8.5 million (30 June 2020: net cash inflow of approximately RMB 58.0 million). As at 30 June 2021, the Group had cash and cash equivalent of RMB 297.1 million (31 December 2020: RMB 694.3 million).

As at 30 June 2021, the Group's guaranteed bank borrowings of RMB 70 million (31 December 2020: RMB 80 million) at fixed interest rate ranging from 3.50% to 3.85% per annum are payable within one year. The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 3.7% (31 December 2020: 3.7%). Except as disclosed in note 23 to the condensed consolidated financial statements, the Group has no significant contingent liabilities as at 30 June 2021.

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves. Relevant policies on capital risk management and financial instruments have no material changes from the disclosure in the Group's annual report for the year ended 31 December 2020 (the "2020 Annual Report"). Please refer to notes 24, 25 and 36 to the consolidated financial statements of the Group's 2020 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 40.6 million (30 June 2020: RMB 57.2 million) and the addition to purchased software of RMB 70.0 million (30 June 2020: RMB 44.3 million) less the amortisation charges for the Reporting Period.

### HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 392 employees (31 December 2020: 480). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme is set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 14 to 17 of this interim report.

### FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is RMB. However, certain of the Group's bank balances, other payables are denominated in United States Dollar ("USD") and Hong Kong Dollar ("HKD"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

During the Reporting Period, the Group recorded an exchange loss of approximately RMB 122,000 (30 June 2020: RMB 22,000). The exchange loss during the Reporting Period was a result of the appreciation of RMB against the USD and HKD in relation to the Group's net assets denominated in USD and HKD.

No currency hedging arrangements were made during the Reporting Period. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

### CHARGE ON ASSETS

As at 30 June 2021, 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 2020: certain assets of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2021, the Group did not have any significant investments.

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

During the six months ended 30 June 2021, 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.

### EVENT AFTER THE REPORTING PERIOD

On 20 August 2021, Nanjing Skytech Co. Ltd. (“**Nanjing Skytech**”), a wholly-owned subsidiary of the Company, entered into a strategic cooperative framework agreement (the “**Cooperative Agreement**”) with DNV Business Assurance China Co. Ltd. (“**DNV**”), to jointly develop comprehensive digital carbon verification services in China. Pursuant to the Cooperative Agreement, Nanjing Skytech and DNV agreed to provide comprehensive digital carbon verification services to enterprise customers by way of a joint service. Nanjing Skytech will utilize its resources and capabilities of Skytech Green and Low Carbon Industrial Internet Platform for carbon audit at enterprise and product levels, while DNV will be responsible for verification of the carbon audit reports, and issue carbon verification statements. Both parties also agreed to jointly promote digital carbon verification related platform and software upgrades, to create comprehensive digital carbon verification solutions. Please refer to the announcement of the Company dated 23 August 2021 for more details.

### OUTLOOK

Looking ahead, under the backdrop of multiple favorable policies, the Group will conduct in-depth research on market demand and continue to R&D of new products, as well as optimize its business strategies continuously, to launch more innovative products and promote to different provinces, cities, and regions.

For the field of low carbon & ecology, following the official launch of the national carbon trading market in July this year, the specific targets and policies for “dual carbon” will soon be released, driving provinces, cities, and parks to generate a wide range of demand for regional digital carbon management. The Group will continue to optimize and promote the “dual carbon” platforms for governments at all levels and different industries.

The Group will also continue to emphasize its development of Skytech Green and Low Carbon Industrial Internet Platform. After the Reporting Period, the Group entered into a cooperative framework agreement with DNV, and will jointly develop carbon verification, with a focus on three major directions:

- i) In accordance with the ISO 14064 international standard, to launch enterprise digital carbon audit and verification solution for export enterprises, supply chain supporting companies and listed companies, etc. The solution provides SaaS carbon emission data collection, auditing, reporting, and verification services for enterprises and certification bodies, couples with offline verification when necessary, and eventually generates

electronic statements of enterprise carbon emission verification reports with dual brands of Skytech and DNV, which can let certificate verifiers to verify data online and trace the process. This digital carbon verification model using blockchain can greatly reduce the manpower comparing manual on-site verification under the traditional model. While improving verification efficiency and reducing error rates, it ensures that all data and the entire verification process cannot be tampered with, which will further strengthen the consensus of credibility in carbon verification, and has authoritative brand advantages and better market competitiveness.

- ii) In accordance with the ISO 14067 international standard, to launch product carbon footprint digital verification solution for export enterprises, supplying companies for leading supply chain, etc. Targeting wide range and high quantity of specific products to be exported or to be supplied in this verification service, the solution provides full process online service by SaaS, coupled with offline verification when necessary, which eventually generates Skytech and DNV's dual brand product carbon verification electronic certificates for each category, each batch and even each product. By assigning a unique QR code to each product, allows certificate verifiers to verify data online and trace the process. This model also has the advantages of blockchain-based enterprise digital carbon audit and verification solution. While meeting external compliance requirements, it can greatly enhance the influence of overseas sales and supply to the supply chain, and shall envision a broad and continuous market prospects.
- iii) To provide carbon neutral digital comprehensive solutions for well-known large enterprises. Based on the digital carbon verification capabilities at enterprise and product levels using blockchain, the carbon emissions of enterprises and product batches are locked, and enterprises' carbon emissions reductions are counted, audited, reported, and verified, and used for carbon emissions offset. For carbon emissions that cannot be offset, the Group will leverage its capabilities in linking to government resources, matching different carbon emission reduction resources for enterprises to purchase in appropriate amounts, and eventually achieve full offset of carbon emission and reach carbon neutral. This model records the process and results of the carbon emissions, carbon emission reductions, and carbon offset behaviours of enterprises or products. Using the method of "blockchain trusted digital certificate + one thing one label", and ultimately issues Skytech and DNV's dual brand standard verification carbon neutral label, to ensure the enterprise carbon emission reduction data can be verified, carbon offset behaviour can be traced, and the results of carbon neutral can be certified. The products will carry carbon neutral labels in circulation. This solution helps enterprise customers to meet the compliance requirements of importing countries and supply chains, greatly reducing the impact of carbon tariffs and related trade policies on exported products, and at the same time further enhancing the competitiveness of enterprises in the international market, and helping to improve products overseas sales performance.

For government big data software and related services, it focuses on public service capabilities to provide SaaS services for grassroots departments. At the same time, based on the Group's experience in legal services, gridded governance, and city safety forecasting and early warning, to extend the capabilities of government's upper-level platform to grassroots services, combining the widespread deployment of public service intelligent devices at the grassroots level, to form a recurring profit model. With the impact from the pandemic, the Group's city safety products which responded to the pandemic and safety incidents during the Reporting Period has achieved a demonstration effect. Together with public service combining big data, and continuous upgrades in blockchain technology extension, the market of grassroots governance in cities across the country will be quickly opened up, and create long term growth for the Group.

# OTHER INFORMATION

## 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 2021 (for the six months ended 30 June 2020: nil).

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

As at 30 June 2021, 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 2021, 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 2021, 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 2021, 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	96,155,400 (L) (Note 7)	7.87%
Pandanus Associates Inc.	Interest of a controlled corporation	96,155,400 (L) (Note 7)	7.87%
Pandanus Partners L.P.	Interest of a controlled corporation	96,155,400 (L) (Note 7)	7.87%

Notes:

- (1) As at 30 June 2021, 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.

## OTHER INFORMATION

- (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) Pandanus Partners L.P., a wholly-owned subsidiary of Pandanus Associates Inc., is deemed to be interested in 96,155,400 shares of the Company through its direct interest in FIL Limited.

Save as disclosed above, as at 30 June 2021, 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.

## OTHER INFORMATION

### 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 2021, no option was granted or agreed to be 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**”):

- (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.

On 25 January 2021, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 19,651,000 awarded shares to 9 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 25 January 2021.

Save as disclosed above, during the six months ended 30 June 2021, 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 2021, 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, the chairlady and chief executive officer of the Company, is responsible for overseeing the operations of the Group.

## OTHER INFORMATION

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 2021.

### 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.

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

The information regarding Directors set out in the 2020 Annual Report of the Company remains unchanged.

## 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 2021. 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 2021.

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

During the six months ended 30 June 2021, 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 2021 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 20 to 21 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2021 and this interim report have also been reviewed by the Audit Committee.

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

Hong Kong, 30 August 2021

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF SINOFTWARE 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 22 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34.

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

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements for the six months ended 30 June 2021 are not prepared, in all material respects, in accordance with IAS 34.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 30 August 2021

**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 2021

	NOTE	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	206,716	196,908
Value-added tax refund		2	2,055
Cost of sales		(144,263)	(88,401)
Research and development costs		(40,590)	(27,507)
Other income and gains	5	10,361	7,631
Other expenses and losses	6	(5,439)	(4,034)
Distribution and selling expenses		(10,051)	(10,949)
General and administrative expenses		(45,420)	(17,126)
Finance costs		(1,479)	(369)
<b>(Loss)/profit before taxation</b>	7	<b>(30,163)</b>	58,208
Taxation	8	1,528	(8,912)
<b>(Loss)/profit and total comprehensive (expense)/income for the period from continuing operations</b>		<b>(28,635)</b>	49,296
<b>Discontinued operation</b>			
Profit and total comprehensive income for the period from discontinued operation	22	—	28,444
<b>(Loss)/profit and total comprehensive (expense)/income for the period</b>		<b>(28,635)</b>	<b>77,740</b>
<b>(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company:</b>			
— from continuing operations		(28,168)	49,721
— from discontinued operation		—	29,500
		<b>(28,168)</b>	<b>79,221</b>
<b>(Loss)/profit and total comprehensive (expense)/income for the period attributable to non-controlling interests:</b>			
— from continuing operations		(467)	(425)
— from discontinued operation		—	(1,056)
		<b>(467)</b>	<b>(1,481)</b>
		<b>(28,635)</b>	<b>77,740</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTE	Six months ended 30 June	
		2021 RMB cents (unaudited)	2020 RMB cents (unaudited)
<hr/>			
<b>(Loss)/earnings per share</b>			
From continuing and discontinued operations			
– Basic and diluted	9	<u>(2.30)</u>	<u>6.48</u>
From continuing operations			
– Basic and diluted (2020: Restated)		<u>(2.30)</u>	<u>4.07</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTE	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	85,372	87,918
Right-of-use assets	11	13,408	13,619
Intangible assets	12	332,035	308,922
Restricted bank deposits		28,160	28,160
Financial assets at fair value through profit or loss	13	—	—
Prepayment for purchase of intangible assets		27,181	—
		<u>486,156</u>	<u>438,619</u>
<b>Current assets</b>			
Inventories		745	621
Trade and other receivables	15	1,414,509	1,441,045
Pledged bank deposits		2,046	1,229
Bank balances and cash		297,074	694,258
		<u>1,714,374</u>	<u>2,137,153</u>
<b>Current liabilities</b>			
Trade and bills payables	17	73,610	94,916
Other payables		77,024	105,396
Contract liabilities		3,778	3,050
Borrowings	18	70,000	80,000
Tax liabilities		4,689	57,241
		<u>229,101</u>	<u>340,603</u>
Net current assets		<u>1,485,273</u>	<u>1,796,550</u>
Total assets less current liabilities		<u>1,971,429</u>	<u>2,235,169</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	71,010	87,720
		<u>71,010</u>	<u>87,720</u>
Net assets		<u>1,900,419</u>	<u>2,147,449</u>
<b>Capital and reserves</b>			
Share capital	19	9,876	9,876
Reserves		1,893,084	2,139,647
Equity attributable to owners of the Company		<u>1,902,960</u>	<u>2,149,523</u>
Non-controlling interests		(2,541)	(2,074)
Total equity		<u>1,900,419</u>	<u>2,147,449</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Equity attributable to owners of the Company

	PRC		Share held under share			Accumulated profits	Total	Non-controlling interests	Total
	Share capital	statutory reserve	Capital reserve	Share premium	award scheme				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>
At 1 January 2021 (audited)	9,876	133,663	2,627	257,539	(38,717)	1,784,535	2,149,523	(2,074)	2,147,449
Loss and total comprehensive expense for the period	—	—	—	—	—	(28,168)	(28,168)	(467)	(28,635)
Dividends (Note 10)	—	—	—	—	—	(245,088)	(245,088)	—	(245,088)
Share award granted (Note 20(b))	—	—	—	—	38,717	(12,024)	26,693	—	26,693
At 30 June 2021 (unaudited)	<u>9,876</u>	<u>133,663</u>	<u>2,627</u>	<u>257,539</u>	<u>—</u>	<u>1,499,255</u>	<u>1,902,960</u>	<u>(2,541)</u>	<u>1,900,419</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
Net cash (used in)/generated from operating activities	(8,474)	57,974
Investing activities:		
Interest received	7,512	1,052
Purchase of property, plant and equipment	(951)	(845)
Increase in prepayment for purchase of intangible assets	(27,181)	—
Payment for the cost incurred of intangible assets	(110,584)	(101,440)
Placement of pledged bank deposits	(817)	—
Net cash used in investing activities	(132,021)	(101,233)
Financing activities:		
Dividends paid	(245,088)	—
New bank loan raised	20,000	74,000
Repayment of borrowings	(30,000)	(10,000)
Capital element of lease rentals paid	—	(137)
Interest element of lease rentals paid	—	(6)
Interest paid	(1,479)	(364)
Net cash (used in)/generated from financing activities	(256,567)	63,493
Net (decrease)/increase in cash and cash equivalents	(397,062)	20,234
Cash and cash equivalents at beginning of the period	694,258	140,577
Effect of foreign exchange rate changes	(122)	(22)
Cash and cash equivalents at end of the period, represented by bank balances and cash	297,074	160,789

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 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.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

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

For management purposes, the Group is organised into two (2020: four) core product and service lines, namely government big data software and related services and low carbon & ecology software and related services (2020: government big data software and related services, low carbon & ecology software and related services, export enterprise cloud-based software and services and system integration solutions, which the third product and service line was classified as discontinued operation since 27 November 2020, as referred to note 5 in the Group's consolidated financial statements for the year ended 31 December 2020). For system integration solutions, which was classified as a separate product line in prior period, the CODM considers this product line is a complementary service and its business nature becomes more correlated to the Group's government big data software and related services instead of a standalone product line. Therefore, during the six months ended 30 June 2021, the CODM decided to merge the system integration solutions into government big data software and related services. The comparative figures have been amended in order to conform to the current period's presentation. These products and services form the basis on which the Group reports its segment information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

#### Segment revenue

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

#### Segment revenue — *continued*

Continuing operations	Six months ended 30 June 2020 (unaudited)		
	Government big data software and related services RMB'000 (restated)	Low carbon & ecology software and related services RMB'000	Total RMB'000 (restated)
<b>Types of goods or services</b>			
Sales of software product	166,250	23,107	189,357
Sales of hardware product	6,133	—	6,133
Service income	1,418	—	1,418
<b>Total</b>	<b>173,801</b>	<b>23,107</b>	<b>196,908</b>
<b>Timing of revenue</b>			
At point of time	172,383	23,107	195,490
Over time	1,418	—	1,418
<b>Total</b>	<b>173,801</b>	<b>23,107</b>	<b>196,908</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

#### Segment revenue — *continued*

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
<b>Continuing operations</b>		
<b>Segment results</b>		
Government big data software and related services	17,461	79,797
Low carbon & ecology software and related services	4,404	3,258
<b>Total segment results</b>	<b>21,865</b>	<b>83,055</b>
Other income and gains	10,361	7,631
Other expenses and losses	(5,439)	(4,034)
Distribution and selling expenses	(10,051)	(10,949)
General and administrative expenses	(45,420)	(17,126)
Finance costs	(1,479)	(369)
(Loss)/profit before taxation	(30,163)	58,208
Taxation	1,528	(8,912)
(Loss)/profit and total comprehensive (expense)/income for the period	<b>(28,635)</b>	<b>49,296</b>

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

Segment results represent the sum of revenue and value-added tax refund less cost of sales and 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 4. RESULTS FOR THE PERIOD

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

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
<b>Continuing operations</b>		
Interest income	7,512	719
Government grants (Note (i))	1,462	1,003
Compensation income (Note (ii))	—	4,629
Others	1,387	1,280
	<u>10,361</u>	<u>7,631</u>

Note (i): 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 (ii): The compensation income represents the compensation received from legal action.

### 6. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Continuing operations</b>		
Impairment on trade receivables (Note 16)	5,187	3,948
Net foreign exchange loss	122	22
Others	130	64
	<u>5,439</u>	<u>4,034</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

(Loss)/profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
Depreciation of property, plant and equipment	3,493	3,489
Depreciation of right-of-use assets	31	98
Amortisation of intangible assets:		
– Amortisation of capitalised software costs (included in cost of sales)	48,312	42,388
– Amortisation of other software (included in research and development costs)	39,159	27,711
	<u>90,995</u>	<u>73,686</u>
Finance costs – interests paid	1,479	369
Net foreign exchange loss	122	22
Cost of inventories recognised as an expense	<u>83,588</u>	<u>38,256</u>

### 8. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
<b>Continuing operations</b>		
Current tax:		
PRC enterprise income tax (“EIT”)	1,756	3,500
Deferred tax (credit)/charge:		
Current period	(3,284)	5,412
	<u>(1,528)</u>	<u>8,912</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 8. TAXATION — continued

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:

1. 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%. A 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. The latest review was conducted on 2 December 2020, Nanjing Skytech was again granted the same certification and the preferential corporate income tax rate of 15% is prolonged to Year 2023. Jiangsu Skyinformation, however, was not granted the certificate and the applicable EIT rate is 25% from Year 2020 and thereafter.

In addition to being recognised as a “High-tech Enterprise”, enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as “Key Software Enterprise under the National Plan” for the year, it can further enjoy a preferential tax rate of 10%. In 2016, Cai Shui [2016] No.49 has been enacted that an entity can register for the “Key Software Enterprise under the National Plan” with the tax bureau if the entity complies with relevant requirements. Pursuant to the announcement made by the Jiangsu Provincial Tax Service on 9 September 2020, Nanjing Skytech was recognised as “Key Software Enterprise under the National Plan” and was entitled to enjoy the 10% preferential enterprise corporate income tax rate for the year ended 31 December 2019. The Company has applied in renewing the recognition of “Key Software Enterprise under the National Plan”. The Company will continue to apply for the reduction in preferential income tax rate. The management are of the opinion that the Company can obtain the recognition and has used the preferential tax rate of 10% (six months ended 30 June 2020: 10%) for the current period.

2. The applicable EIT rate for Zhenjiang Skyinformation Co., Limited, Jiangsu Skytech Investment Management Co., Limited (“**Jiangsu Skytech Investment**”), Qingdao Skytech Software Co., Limited, Nanjing Aisita Real Estate Co., Limited and Jiangsu Skytech Industrial Internet Co., Limited are 25% for the six months ended 30 June 2021 and 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

#### For continuing and discontinued operations

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

(Loss)/earnings	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<u>(28,168)</u>	<u>79,221</u>
Number of shares	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Weighted average number of ordinary shares in issue	<u>1,222,385</u>	<u>1,222,385</u>

There are no potential dilutive shares in issue during both periods ended 30 June 2021 and 2020.

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

#### For continuing operations

(Loss)/earnings	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<u>(28,168)</u>	<u>79,221</u>
Less: Profit for the period from discontinued operation	<u>—</u>	<u>(29,500)</u>
	<u>(28,168)</u>	<u>49,721</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 9. (LOSS)/EARNINGS PER SHARE — *continued*

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

#### For discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB nil cents per share (six months ended 30 June 2020: RMB 2.41 cents per share), based on the profit for the period from discontinued operation of RMB nil (six months ended 30 June 2020: RMB 29,500,000) and the denominators detailed above for both basic and diluted earnings per share.

### 10. DIVIDENDS

During the six months ended 30 June 2021, a final dividend for the year ended 31 December 2020 amounting to RMB 20.05 cents per share was proposed by the Company's directors on 29 March 2021, and subsequently approved at the annual general meeting of the Company held on 26 May 2021. The directors did not recommend payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB nil).

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.

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

During the six months ended 30 June 2021, the Group disposed of certain plant and machinery with a gain on disposal of RMB 5,000. There were no disposal of plant and machinery during the six months ended 30 June 2020.

In addition, during the six months ended 30 June 2021, the Group paid RMB 951,000 (six months ended 30 June 2020: RMB 845,000) for certain new electrical and office equipment.

During the six months ended 30 June 2021, the Group had not entered into new lease agreements (six months ended 30 June 2020: one lease agreement with lease term of two years). On lease commencement date in each end of reporting period, the Group recognised right-of-use assets of RMB nil (six months ended 30 June 2020: RMB 32,390) and lease liabilities of RMB nil (six months ended 30 June 2020: RMB 32,390) in the corresponding period. Short-term lease payments of RMB 320,695 (six months ended 30 June 2020: RMB 93,498) were made during the period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 12. INTANGIBLE ASSETS

During the six months ended 30 June 2021, the Group incurred the additions of cost at approximately RMB 110,584,000 (six months ended 30 June 2020: RMB 101,440,000) which represented the capitalised software costs generated internally amounting to approximately RMB 40,582,000 (six months ended 30 June 2020: RMB 57,183,000) and other purchased software amounting to approximately RMB 70,002,000 (six months ended 30 June 2020: RMB 44,257,000) for the new software product development.

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

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (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 2021 and 31 December 2020, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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 2021 and the year ended 31 December 2020:

	Expected credit losses provision RMB'000	Undistributed profits of subsidiaries RMB'000	Capitalised software costs RMB'000	Total RMB'000
At 1 January 2020 (audited)	1,170	(52,838)	(22,206)	(73,874)
Credit/(charge) to profit or loss	1,737	(15,600)	(3,671)	(17,534)
Reversal upon payment of withholding tax	—	550	—	550
Disposal of discontinued operation	—	—	3,138	3,138
At 31 December 2020 (audited)	<u>2,907</u>	<u>(67,888)</u>	<u>(22,739)</u>	<u>(87,720)</u>
At 1 January 2021 (audited)	<u>2,907</u>	<u>(67,888)</u>	<u>(22,739)</u>	<u>(87,720)</u>
(Charge)/credit to profit or loss	(520)	—	3,804	3,284
Reversal upon payment of withholding tax	—	13,426	—	13,426
At 30 June 2021 (unaudited)	<u>2,387</u>	<u>(54,462)</u>	<u>(18,935)</u>	<u>(71,010)</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 2021 and 31 December 2020, 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 2021

### 15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	1,305,514	1,352,306
Less: Allowance for expected credit losses	(23,890)	(18,703)
	<u>1,281,624</u>	<u>1,333,603</u>
Prepayments to suppliers	119,309	95,699
Prepayment to the trustee	1,338	1,428
Deposits	4,984	4,868
Value-added tax recoverable	—	998
Advances to employees	1,840	529
Others	5,414	3,920
	<u>1,414,509</u>	<u>1,441,045</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 expected 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 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
0 to 60 days	155,920	266,085
61 to 90 days	1,558	3,473
91 to 180 days	10,706	1,020
181 days to 365 days	204,577	141,754
Over 1 year but less than 2 years	378,292	460,536
Over 2 years	530,571	460,735
	<u>1,281,624</u>	<u>1,333,603</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	<u>5,187</u>	<u>3,948</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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

### 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 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
	0 to 90 days	46,671
91 to 180 days	3,633	7,416
181 days to 365 days	16,466	3,885
Over 1 year	<u>6,840</u>	<u>3,528</u>
	<u>73,610</u>	<u>94,916</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 18. BORROWINGS

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Guaranteed bank borrowings carried interest at fixed rate	<u>70,000</u>	<u>80,000</u>
Analyses as		
— Within 1 year	<u>70,000</u>	<u>80,000</u>

The effective interest rates of bank borrowings are ranging from 3.50% to 3.85% (31 December 2020: 3.50%) per annum as at 30 June 2021.

As at 30 June 2021, the bank borrowings were guaranteed by the corporate guarantee provided by Jiangsu Skytech Investment, a subsidiary of the Company (31 December 2020: corporate guarantee provided by Jiangsu Skytech Investment and personal guarantee provided by Ms. Xin, Chairlady of the Company).

### 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 2021 (unaudited) and 31 December 2020 (audited)	<u>8,000,000</u>	<u>59,128</u>
Issued and fully paid shares of HKD 0.01 each At 30 June 2021 (unaudited) and 31 December 2020 (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 2021 and 30 June 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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 2021 and 31 December 2020, 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 HKD13,700,000 (equivalent to approximately RMB 12,255,000) and HKD26,300,000 (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 HKD50 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

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.

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.

On 25 January 2021 (the “Date of Grant”), the Company has granted a total of 19,651,000 shares to 9 employees whom are Eligible Participants and not connected persons pursuant to the share award scheme at nil consideration. The awarded shares to be granted represent approximately 1.61% of the total number of shares of the Company in issue at the prevailing time and the value of approximately HKD 31,716,714 (equivalent to approximately RMB 26,693,000), taking into account of the average closing price of HKD 1.614 (equivalent to RMB 1.358) per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant. The awarded shares were granted by acquisition of existing shares through on-market transactions by the Trustee. The grant will not result in any issue of new shares or any dilution effect on the existing shareholding of the Company.

### 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term benefits	2,387	2,479
Retirement benefits scheme contributions	87	74
	<u>2,474</u>	<u>2,553</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 22. DISCONTINUED OPERATION

On 30 September 2020, the Group entered into an equity transfer agreement with Nanjing Skytech Enterprise Management Partnership (Limited Partnership), which is controlled by Ms. Xin, Chairlady of the Company, to dispose the entire equity interest in Quan Shui Tong; 45% equity interest in Jiangsu Skytech Zumoo; and partial assets relevant to export enterprise cloud-based software and services under the name of Nanjing Skytech, at a cash consideration of RMB 526,000,000. The disposal was effected in order to exert more of the Group's focus on its government big data software and related services and low carbon & ecology software and related services businesses. The disposal was completed on 27 November 2020 ("Date of Disposal").

The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows have been restated to re-present export enterprise cloud-based software and services operation as a discontinued operation.

The results of the export enterprise cloud-based software and services operation for the period from 1 January 2020 to 30 June 2020, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 30 June 2020 RMB'000
Revenue	58,779
Value-added tax refund	1,555
Cost of sales	(8,551)
Research and development costs	(5,017)
Other income and gains	421
Distribution and selling expenses	(12,031)
General and administrative expenses	(3,540)
Finance costs	(1)
Profit before taxation	31,615
Taxation	(3,171)
Profit and total comprehensive income for the period	<u>28,444</u>

During the period ended 30 June 2020, the export enterprise cloud-based software and services business contributed approximately RMB 74 million to the Group's net operating cash flows, paid approximately RMB 28 million in respect of investing activities and paid approximately RMB 55 million in respect of financing activities.

### 23. CONTINGENT LIABILITIES

Nanjing Skytech has been involved in a series of disputes with Janful Limited (“Janful”) over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People’s Court, ordering the defendants of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd (南京南華擎天資訊科技有限公司) (“Nanhua Skytech”). The Group had issued a defend letter and filed an appeal to the Higher People’s Court of Jiangsu Province (“Higher Court”). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People’s Court of The People’s Republic of China (“Supreme People’s Court”). On 3 August 2016, the Group received a notice of case registration from the Supreme People’s Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People’s Court. Pursuant to the Company’s further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People’s Court (the “Beijing Court”) for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award (“CIETAC Arbitral Award”) which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful’s application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful’s application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company’s announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People’s Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 30 June 2021 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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).

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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*

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 2021 (unaudited)	31 December 2020 (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 2021 and 31 December 2020 because of their short-term maturities and was under voluntary liquidation.

There is no movement of Level 3 fair value during the six months ended 30 June 2021 and 2020.

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 2021 and 31 December 2020.

### 25. EVENT AFTER REPORTING PERIOD

#### Merger by absorption of two indirect wholly-owned subsidiaries

On 6 April 2021, Nanjing Skytech has entered into an agreement for the Merger by Absorption Agreement with Jiangsu Skyinformation, which the two companies are indirect wholly-owned subsidiaries of the Company. Nanjing Skytech directly held 100% equity interests in Jiangsu Skyinformation. After the merger, Nanjing Skytech would absorb Jiangsu Skyinformation, and Jiangsu Skyinformation would then be deregistered, which was subsequently completed on 22 July 2021. Upon the merger, Jiangsu Skyinformation's assets, liabilities, business and personnel would be undertaken by Nanjing Skytech.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 26. COMPARATIVE FIGURES

Conform to current period's presentation, the comparative condensed consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operation discontinued during the year ended 31 December 2020 had been discontinued at the beginning of the comparative period. The restatement had no effect on the reported financial position, results or cash flows of the Group.