



**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

**2023**

INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Ms. Xin Yingmei (*Chairlady*)

Mr. Su Hui

### NON-EXECUTIVE DIRECTOR

Mr. Ren Geng

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Choo Tee

Mr. Li Dong (appointed on 1 February 2023)

Mr. Zong Ping

### AUDIT COMMITTEE

Mr. Li Dong (*Chairman*)

(appointed on 1 February 2023)

Mr. Chan Choo Tee

Mr. Zong Ping

### REMUNERATION COMMITTEE

Mr. Chan Choo Tee (*Chairman*)

Mr. Li Dong (appointed on 1 February 2023)

Mr. Su Hui

### NOMINATION COMMITTEE

Ms. Xin Yingmei (*Chairlady*)

Mr. Li Dong (appointed on 1 February 2023)

Mr. Zong Ping

### INVESTMENT MANAGEMENT COMMITTEE

Mr. Chan Choo Tee (*Chairman*)

Mr. Li Dong (appointed on 1 February 2023)

Mr. Zong Ping

## AUTHORIZED REPRESENTATIVES

Mr. Su Hui

Dr. Ngai Wai Fung

## COMPANY SECRETARY

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

## AUDITOR

Baker Tilly Hong Kong Limited

## LEGAL ADVISOR

Sidley Austin

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

No. 26 Tianpu Road

Jiangpu Street

Pukou District

Nanjing City

Jiangsu

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong



**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

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

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

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

**PRINCIPAL BANKERS**

Shanghai Pudong Development Bank  
China Merchants Bank

**COMPANY WEBSITE**

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

**STOCK CODE**

1297



# Management Discussion and Analysis

## BUSINESS REVIEW

Since 2023, the global economy has continued to deteriorate, and the Chinese economy has been facing enormous challenges. As urgency in informatization construction demand of many customers has decreased, that has significantly impacted the Group's business development plan. Under the severe operating environment, the Group is seeking changes which focus on the market to adjust the deployment, increasing investment in technology research and development ("R&D"), tapping commercial value in advantageous areas, and preparing to strive for market share when the economy recovers.

In the field of government informatization, as some clients have cut their project budgets due to the economic downturn, certain projects were postponed or even shelved. In the first half of the year, the Group's focuses were ensuring demand for high potential value products, intensifying government services for citizens' livelihood, and strived to maintain the Group's market position in government informationization.

At this stage, the Group is closely observing the market, focusing on refining and upgrading its core competitiveness in government informationization, to cope with the national government informationization development plan, enhance product value, apply new technical means to reduce costs and intensity the Group's market competitiveness, in order to adapt to the new phase of market development.

## REVENUE

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB 143.6 million, representing an approximately 29.6% decrease when compared to approximately RMB 203.9 million for the corresponding period in 2022. Both revenues generated from government big data software and related services, as well as low carbon & ecology software and related services declined during the six months ended 30 June 2023.

### Government Big Data Software and Related Services

For the six months ended 30 June 2023, revenue generated from government big data software and related services amounted to approximately RMB 142.2 million, representing a decrease of approximately 26.5% when compared to approximately RMB 193.4 million for the corresponding period in 2022. Demand for traditional government information products decreased due to clients' tight budget in information technology under the difficult economic environment during the six months ended 30 June 2023.

### Low Carbon & Ecology Software and Related Services

For the six months ended 30 June 2023, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 1.4 million, representing a decrease of approximately 87.0% when compared to approximately RMB 10.5 million for the corresponding period in 2022, mainly due to the decreased demand for low carbon & ecology products under the challenging economic environment.

## COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing systems and components for some of its projects. For the six months ended 30 June 2023, the Group's cost of sales was approximately RMB 108.9 million, representing a decrease of approximately 17.7% when compared to approximately RMB 132.2 million for the six months ended 30 June 2022. Both amortisation of capitalised software development cost and costs spent on purchasing system and components decreased during the six months ended 30 June 2023.

## SEGMENT RESULTS

The Group's total segment results represents the sum of revenue less cost of sales and research and development costs. For the six months ended 30 June 2023, the segment results of the Group recorded a loss of approximately RMB 22.8 million, as compared to a profit of approximately RMB 16.9 million for the six months ended 30 June 2022.

## RESEARCH AND DEVELOPMENT COSTS

For the six months ended 30 June 2023, the Group's R&D costs amounted to approximately RMB 57.5 million, representing an increase of approximately 5.0% as compared to approximately RMB 54.8 million for the six months ended 30 June 2022, mainly attributable to the investments in developing future products for long-term growth and the increased in amortisation of other software.

## OTHER INCOME AND GAINS

For the six months ended 30 June 2023, the Group's other income and gains was approximately RMB 5.9 million, which was significantly decrease from approximately RMB 26.4 million for the six months ended 30 June 2022. The decrease was mainly due to a gain on disposal of a subsidiary was recorded during the six months ended 30 June 2022. Details of the disposal are set out in Note 21 to the condensed consolidated financial statements contained in this report.

## OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2023, the Group's other expenses and losses amounted to approximately RMB 67,000, which was slightly increased from approximately RMB 51,000 for the six months ended 30 June 2022.

## DISTRIBUTION AND SELLING EXPENSES

For the six months ended 30 June 2023, the Group's distribution and selling expenses was approximately RMB 10.3 million, representing a decrease from approximately RMB 12.6 million for the six months ended 30 June 2022, mainly due to less marketing activities during the six months ended 30 June 2023.

## Management Discussion and Analysis

### GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the Group's general and administrative expenses was approximately RMB 18.9 million, maintained at a similar level of approximately RMB 18.0 million for the six months ended 30 June 2022.

### INCOME TAX

For the six months ended 30 June 2023, the Group recorded an income tax credit of approximately RMB 4.4 million, as compared to the income tax expense of approximately RMB 5.8 million for the six months ended 30 June 2022, mainly attributable to the deferred tax write back recorded during the six months ended 30 June 2023.

### LOSS AND TOTAL COMPREHENSIVE EXPENSE

For the six months ended 30 June 2023, the Group's loss and total comprehensive expense was approximately RMB 59.0 million, as compared to profit and total comprehensive income of approximately RMB 2.5 million for the six months ended 30 June 2022.

### NET CURRENT ASSETS

As at 30 June 2023, the Group had net current assets of approximately RMB 1,311.8 million (31 December 2022: approximately RMB 1,356.7 million).

### FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2023, the Group's primary source of funding came from cash generated from its operating activities. During the six months ended 30 June 2023, the Group recorded a net cash inflow from operating activities amounted to approximately RMB 56.6 million (30 June 2022: approximately RMB 22.3 million). As at 30 June 2023, the Group had cash and cash equivalent of approximately RMB 193.6 million (31 December 2022: approximately RMB 118.3 million).

As at 30 June 2023, the Group has borrowings of approximately RMB 89.3 million (31 December 2022: RMB 50 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 5.1% (31 December 2022: 2.8%).

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, retained 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 2022 (the "2022 Annual Report"). Please refer to Notes 25, 29 and 38 to the consolidated financial statements of the Group's 2022 Annual Report for more details.



## CONTINGENT LIABILITIES

Details in relation to contingent liabilities of the Group as at 30 June 2023 are set out in Note 23 to the condensed consolidated financial statements. Save as disclosed, the Group has no significant contingent liabilities as at 30 June 2023.

## INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. For the six months ended 30 June 2023, the increase in intangible assets of approximately RMB 105.8 million was mainly attributable to the addition to capitalised software costs of approximately RMB 41.6 million (30 June 2022: RMB 61.2 million) and the addition to other purchased software of RMB 64.2 million (30 June 2022: RMB 55.6 million).

## HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 393 employees (31 December 2022: 418). 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 to recognise and motivate contributions of its employees. Further details regarding the share option scheme are set out in the paragraphs headed "Share Option Scheme" on pages 12 to 14 of this interim report.

## FOREIGN EXCHANGE EXPOSURE

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

During the six months ended 30 June 2023, the Group recorded an exchange gain of approximately RMB 55,000 (30 June 2022: exchange gain of approximately RMB 96,000). This exchange gain was a result of the depreciation of RMB against the USD and HKD during the six months ended 30 June 2023.

No currency hedging arrangements were made as at 30 June 2023. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate hedging arrangement against significant foreign exchange risk as and when necessary.



## Management Discussion and Analysis

### CHARGE ON ASSETS

As at 30 June 2023 and 31 December 2022, certain bank deposits of the Group were pledged to secure banking facilities for issuance of bank acceptance notes against bills payables to suppliers. For details, please refer to Note 19 to the consolidated financial statements of the Group's 2022 Annual Report.

### SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2023, the Group did not have any significant investments.

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

During the six months ended 30 June 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is continuously on the look-out for material investments that can add value to the Group. As at 30 June 2023, the Group did not have plans for material investments or capital assets.

### EVENTS AFTER THE REPORTING PERIOD

The Group has no material events subsequent to 30 June 2023 and up to the date of this interim report.

## OUTLOOK

Looking ahead, the Group will actively seek new growth points in response to the market development, and increase investment on intelligent research and development to improve R&D efficiency. With the extended application of artificial intelligence and big data analytics technologies, along with policy concepts development, the Group will develop and upgrade more solutions with the ability to integrate and apply new technologies. The Group utilizes artificial intelligence and big data technologies to refine and analyze its experience accumulated in government informationization, and develop new products for different application scenarios, so as to gain market share and increase revenue contribution. In addition, the Group introduces emerging technologies proactively, and invests in upgrading the low-code R&D platform with independent intellectual property rights to further reduce R&D costs.

In the field of big data, the Group will dig deep into its accumulated business experience, grasp the direction shift of the national big data strategies and demand for digital government construction, to form highly competitive products with selling points of integrating city emergency management, social grassroots governance and the construction of rule of law environment. The Group will also intensify its application in knowledge graphs, machine learning, and industry intelligent algorithm products continuously, to tap industrial enterprises and industries market, and participate in government informatization construction. Meanwhile, the Group will increase investment in the R&D of remote service integrated equipment, so as to open up a sustainable market of upgrading software and hardware integrated services.

For low carbon and ecology, the Group will continue to observe market opportunities, and adopt the most appropriate and beneficial strategy for its overall development, to strive for the best return in the difficult environment.



## 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 2023 (for the six months ended 30 June 2022: nil).

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

As at 30 June 2023, 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 2023, 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 2023, 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 2023, 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%

## Other Information

### Notes:

- (1) As at 30 June 2023, the Company had 1,222,384,600 shares in issue.
- (2) The letter “L” denotes the person’s long position in such securities.
- (3) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.
- (4) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.
- (5) Alibaba.com Investment Holding Limited is wholly-owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.
- (6) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company’s announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

Save as disclosed above, as at 30 June 2023, 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:

The Share Options Scheme was expired on 10 June 2023. Since its adoption and immediately prior to its expiration, no share option has been granted under the Share Option Scheme.

As at 1 January 2023 and immediately prior to the expiration of the Share Option Scheme, the total number of shares available for issue under the Share Option Scheme was 100,000,000 shares, which represented 8.2% of the shares in issue.

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

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

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

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

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

## Other Information

### 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 expiration of the Share Option Scheme:

The Share Option Scheme was expired on 10 June 2023.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 to the Listing Rules as its corporate governance code of practices. Save for the deviation of the code provision C.2.1 disclosed as below, the Company has complied with all of the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2023.

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

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

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 11 June 2013 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Li Dong, Mr. Chan Choo Tee and Mr. Zong Ping, with Mr. Li Dong 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 2023.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## INVESTMENT MANAGEMENT COMMITTEE

The Company has established an investment management committee (the “**Investment Management Committee**”) on 31 October 2012. The Investment Management Committee consists of three independent non-executive Directors, namely, Mr. Chan Choo Tee, Mr. Li Dong and Mr. Zong Ping, with Mr. Chan Choo Tee serving as the chairman of the Investment Management Committee. The primary function of the Investment Management Committee is to enhance the effectiveness of the Group’s internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions.

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

As required under Rule 13.51B(1) of Listing Rules, the change in Directors’ biographical details, since the despatch date of the 2022 Annual Report is set out below:

Mr. Chan Choo Tee, the independent non-executive Director of the Company, resigned as a director at Credit Suisse AG Hong Kong Branch’s Private Banking Asia Pacific in mid-2023.

Mr. Li Dong, the independent non-executive Director of the Company, has served as an independent non-executive director and the chairman of the audit committee of ZJLD Group Inc (珍酒李渡集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6979) since April 2023.

Save as those disclosed above, there is no other information for the Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as 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 2023. 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 2023.

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

During the six months ended 30 June 2023, 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 2023 has been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included on pages 18 to 19 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2023 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, 28 August 2023



# Report on Review of Condensed Consolidated Financial Statements



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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sinosoft Technology Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

**CONCLUSION**

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

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 28 August 2023

**Wan Wing Ping**

Practising certificate number P07471

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

For the six months ended 30 June 2023

	NOTE	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	143,553	203,876
Cost of sales		(108,851)	(132,233)
Research and development costs		(57,468)	(54,754)
Impairment losses recognised on trade receivables, net	14	(16,151)	(3,594)
Other income and gains	4	5,902	26,350
Other expenses and losses	5	(67)	(51)
Distribution and selling expenses		(10,334)	(12,550)
General and administrative expenses		(18,872)	(17,964)
Finance costs		(1,064)	(832)
<b>(Loss)/profit before tax</b>	6	<b>(63,352)</b>	<b>8,248</b>
Income tax credit/(expense)	7	4,351	(5,762)
<b>(Loss)/profit and total comprehensive (expense)/income for the period</b>		<b>(59,001)</b>	<b>2,486</b>
<b>(Loss)/profit and total comprehensive (expense)/income for the period attributable to:</b>			
— Owners of the Company		(59,001)	3,321
— Non-controlling interests		—	(835)
		<b>(59,001)</b>	<b>2,486</b>
		RMB cents (unaudited)	RMB cents (unaudited)
<b>(Loss)/earnings per share</b>			
— Basic and diluted	8	(4.83)	0.27

# Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTE	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	76,738	79,694
Right-of-use assets	10	12,688	12,868
Intangible assets	11	316,836	301,976
Restricted bank deposits		41,229	43,137
Pledged bank deposits		—	486
Time deposits with original maturities over three months		60,000	88,160
Financial assets at fair value through profit or loss	12	—	—
		<u>507,491</u>	<u>526,321</u>
<b>CURRENT ASSETS</b>			
Inventories		1,953	2,611
Contract costs		—	14,075
Trade, bills and other receivables	13	1,344,912	1,383,099
Restricted bank deposits		—	4,175
Pledged bank deposits		798	561
Time deposits with original maturities over three months		20,000	70,000
Bank balances and cash		193,609	118,333
		<u>1,561,272</u>	<u>1,592,854</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	15	71,656	86,880
Other payables		87,476	97,393
Contract liabilities		1,031	1,912
Borrowings	16	89,278	50,000
		<u>249,441</u>	<u>236,185</u>
<b>NET CURRENT ASSETS</b>		<u>1,311,831</u>	<u>1,356,669</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,819,322</u>	<u>1,882,990</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	17	84,228	88,895
<b>NET ASSETS</b>		<u>1,735,094</u>	<u>1,794,095</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	9,876	9,876
Reserves		1,725,218	1,784,219
<b>Equity attributable to owners of the Company</b>		<u>1,735,094</u>	<u>1,794,095</u>
Non-controlling interests		—	—
<b>TOTAL EQUITY</b>		<u>1,735,094</u>	<u>1,794,095</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company							
	PRC					Non-controlling		Total
	Share capital	statutory reserve	Capital reserve	Share premium	Retained profits	Total	interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	9,876	133,663	2,627	257,539	1,543,229	1,946,934	(2,867)	1,944,067
Profit/(loss) and total comprehensive income/(expense) for the period	–	–	–	–	3,321	3,321	(835)	2,486
Capital injection by non-controlling interests	–	–	–	–	–	–	4,000	4,000
Disposal of a subsidiary (Note 21)	–	–	–	–	–	–	(298)	(298)
At 30 June 2022 (unaudited)	<u>9,876</u>	<u>133,663</u>	<u>2,627</u>	<u>257,539</u>	<u>1,546,550</u>	<u>1,950,255</u>	<u>–</u>	<u>1,950,255</u>
At 1 January 2023 (audited)	9,876	133,663	2,627	257,539	1,390,390	1,794,095	–	1,794,095
Loss and total comprehensive expense for the period	–	–	–	–	(59,001)	(59,001)	–	(59,001)
At 30 June 2023 (unaudited)	<u>9,876</u>	<u>133,663</u>	<u>2,627</u>	<u>257,539</u>	<u>1,331,389</u>	<u>1,735,094</u>	<u>–</u>	<u>1,735,094</u>



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash generated from operating activities		56,609	22,347
<b>Investing activities:</b>			
Interest received		2,653	2,265
Proceeds from derecognition of financial assets at fair value through profit or loss		76	—
Purchase of property, plant and equipment		(1,102)	(2,886)
Payment for the cost incurred of intangible assets		(105,721)	(116,802)
Net cash outflow on disposal of a subsidiary	21	—	(4,086)
Withdrawal of restricted bank deposits		6,083	—
Withdrawal of pledged bank deposits		249	1,020
Withdrawal/(placement) of time deposits with original maturities over three months		78,160	(10,000)
<b>Net cash used in investing activities</b>		<b>(19,602)</b>	<b>(130,489)</b>
<b>Financing activities:</b>			
Interest paid		(1,064)	(832)
Repayments of borrowings		—	(20,000)
New bank loans raised		39,278	20,000
Capital injection by non-controlling interests		—	4,000
<b>Net cash generated from financing activities</b>		<b>38,214</b>	<b>3,168</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>75,221</b>	<b>(104,974)</b>
Cash and cash equivalents at beginning of the period		118,333	201,399
Effect of foreign exchange rate changes		55	96
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>		<b>193,609</b>	<b>96,521</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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. Its ultimate parent undertaking is Long Capital International Limited. 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 34 ("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 condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of the new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

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.

## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

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

## 3. REVENUE AND SEGMENTAL INFORMATION

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

(i) Disaggregation of revenue from contracts with customers with scope of IFRS 15

Segments	Six months ended 30 June 2023 (unaudited)		
	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Sales of software products	141,087	1,361	142,448
Sales of hardware products	801	—	801
Service income	304	—	304
<b>Total</b>	<b>142,192</b>	<b>1,361</b>	<b>143,553</b>
<b>Geographical market</b>			
The PRC	142,192	1,361	143,553
<b>Timing of revenue recognition</b>			
At point of time	141,888	1,361	143,249
Over time	304	—	304
<b>Total</b>	<b>142,192</b>	<b>1,361</b>	<b>143,553</b>

3. REVENUE AND SEGMENTAL INFORMATION – *continued*(i) Disaggregation of revenue from contracts with customers with scope of IFRS 15 – *continued*

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

#### (ii) Segment results

	Six months ended 30 June 2023 (unaudited)		
	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	Total RMB'000
<b>Segment revenue</b>			
Sales to external customers	<u>142,192</u>	<u>1,361</u>	<u>143,553</u>
<b>Segment (loss)/profit</b>	<u>(23,902)</u>	<u>1,136</u>	(22,766)
Impairment losses recognised on trade receivables, net			(16,151)
Other income and gains			5,902
Other expenses and losses			(67)
Distribution and selling expenses			(10,334)
General and administrative expenses			(18,872)
Finance costs			<u>(1,064)</u>
<b>Loss before tax</b>			<u>(63,352)</u>

3. REVENUE AND SEGMENTAL INFORMATION – *continued*(ii) Segment results – *continued*

	Six months ended 30 June 2022 (unaudited)		Total RMB'000
	Government big data software and related services RMB'000	Low carbon & ecology software and related services RMB'000	
<b>Segment revenue</b>			
Sales to external customers	<u>193,371</u>	<u>10,505</u>	<u>203,876</u>
<b>Segment profit/(loss)</b>	<u>34,666</u>	<u>(17,777)</u>	16,889
Impairment losses recognised on trade receivables, net			(3,594)
Other income and gains			26,350
Other expenses and losses			(51)
Distribution and selling expenses			(12,550)
General and administrative expenses			(17,964)
Finance costs			<u>(832)</u>
<b>Profit before tax</b>			<u>8,248</u>

There were no inter-segment sales for current and prior period.

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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

**Geographical information**

The Group's non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

#### (iii) Seasonality of operations

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.

### 4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income	2,653	2,265
Government grants (Note (a))	1,033	229
Rental income (Note (b))	1,797	831
Gain on derecognition of financial assets at fair value through profit or loss	76	—
Gain on disposal of a subsidiary (Note 21)	—	22,851
Others	343	174
	<u>5,902</u>	<u>26,350</u>

Notes:

- (a) The grants represent incentives received by the PRC subsidiaries for eminent contributions to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred, nor are they related to any assets.
- (b) For the six months ended 30 June 2023, rental income of RMB 1,196,000 and RMB 601,000 (six months ended 30 June 2022: RMB 831,000 and RMB nil) is respectively from related companies, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited and Jiangsu Skytech Industrial Internet Co., Limited (“**Industrial Internet**”), which Ms. Xin Yingmei (“**Ms. Xin**”), chairlady of the Company, has common control.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 5. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net foreign exchange gains	(55)	(96)
Others	122	147
	<u>67</u>	<u>51</u>

### 6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Depreciation of property, plant and equipment	4,043	3,741
Depreciation of right-of-use assets	180	181
Amortisation of intangible assets:		
– Amortisation of capitalised software costs (included in cost of sales)	34,739	54,467
– Amortisation of other software (included in research and development costs)	56,122	52,843
	<u>90,861</u>	<u>107,310</u>
	<u>95,084</u>	<u>111,232</u>
Impairment losses recognised on trade receivables, net	16,151	3,594
Research and development costs recognised as an expense	57,468	54,754
Cost of inventories recognised as an expense	<u>23,550</u>	<u>75,516</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	316	21
Deferred tax (Note 17)	(4,667)	5,741
	<u>(4,351)</u>	<u>5,762</u>

- (i) No provision for profits tax in the Cayman Islands, the PRC and Singapore has been made as the Group has no assessable profits for the periods in those jurisdictions.
- (ii) The EIT charge of the Group for the six months ended 30 June 2023 representing the 5% withholding tax imposed on dividends declared during the period by subsidiaries of the Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of subsidiaries.

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

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
(Loss)/earnings		
(Loss)/earnings for the purposes of basic (loss)/earnings per share, being (loss)/profit for the period attributable to owners of the Company	<u>(59,001)</u>	<u>3,321</u>



**8. (LOSS)/EARNINGS PER SHARE – continued**

	Six months ended 30 June	
	2023 '000	2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,222,385</u>	<u>1,222,385</u>

For the periods ended 30 June 2023 and 2022, dilutive earnings per share has not been calculated as there were no potential dilutive shares outstanding.

**9. DIVIDENDS**

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

**10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

During the six months ended 30 June 2023, the Group disposed of certain plant and machinery with a gain on disposal of RMB 15,000 (six months ended 30 June 2022: RMB nil).

In addition, during the six months ended 30 June 2023, the Group paid RMB 1,102,000 (six months ended 30 June 2022: RMB 2,886,000) for certain new electrical and office equipment.

During the six months ended 30 June 2023 and 30 June 2022, the Group had not entered into new lease agreements. Short-term lease payments of RMB 70,000 (six months ended 30 June 2022: RMB nil) were made during the period.

**11. INTANGIBLE ASSETS**

During the six months ended 30 June 2023, the Group incurred the additions of cost at approximately RMB 105,721,000 (six months ended 30 June 2022: approximately RMB 116,802,000) which represented the capitalised software costs generated internally amounting to approximately RMB 41,555,000 (six months ended 30 June 2022: approximately RMB 61,183,000) and other purchased software amounting to approximately RMB 64,166,000 (six months ended 30 June 2022: approximately RMB 55,619,000) for the new software product development.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Unlisted equity securities	—	—

The balance represented 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 31 December 2022, the directors of the Company were of the opinion that the fair value of Cyberunion was zero in view of it was still in the process of voluntary winding up with no residual value is expected.

During the six months ended 30 June 2023, the Group received a cash amount of RMB 76,000 as the voluntary winding up process was completed.

### 13. TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Trade receivables	1,304,420	1,349,863
Less: Allowance for credit losses	(135,993)	(119,842)
Trade receivables, net	1,168,427	1,230,021
Bills receivables	—	1,477
Total trade and bills receivables	1,168,427	1,231,498
Prepayments to suppliers	154,721	125,380
Deposits	5,557	5,600
Advances to employees	44	559
Amounts due from related parties (Note)	14,916	18,556
Others	1,247	1,506
	<u>1,344,912</u>	<u>1,383,099</u>

Note: The amounts due from related parties are unsecured, interest free and repayable on demand.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 13. TRADE, BILLS AND OTHER RECEIVABLES – *continued*

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 within a year. The following is an aged analysis of trade receivables, net of allowance for credit losses and is presented based on the date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
0 - 60 days	110,748	230,008
61 - 90 days	3,511	3,293
91 - 180 days	6,696	7,868
181 - 365 days	172,980	97,083
Over 1 year but less than 2 years	222,075	257,887
Over 2 years	652,417	633,882
	<u>1,168,427</u>	<u>1,230,021</u>

The following is an aged analysis of bills receivables presented based on the bill issue date.

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
61 – 90 days	—	1,377
91 – 180 days	—	100
	<u>—</u>	<u>1,477</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	<u>16,151</u>	<u>3,594</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 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

### 15. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the date of delivery of goods or the rendering of services by vendors at the end of each reporting period:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
0 – 60 days	45,336	63,641
61 – 90 days	132	10,363
91 – 180 days	4,712	2,714
181 – 365 days	15,699	3,777
Over 1 year	5,777	6,385
	<u>71,656</u>	<u>86,880</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 16. BORROWINGS

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Fixed rates bank borrowings:		
– guaranteed (Note (a))	50,000	50,000
– secured (Note (b))	9,278	–
– unsecured (Note (c))	30,000	–
	<u>89,278</u>	<u>50,000</u>

Notes:

- (a) As at 30 June 2023, the bank borrowing was guaranteed by corporate guarantee of Jiangsu Skytech Investment Management Co., Limited (“Jiangsu Skytech Investment”), a subsidiary of the Company with maximum amount of RMB 50,000,000 (31 December 2022: RMB 50,000,000). The bank borrowing carries at effective interest rate of 3% (31 December 2022: 3%) per annum and is repayable within one year.
- (b) As at 30 June 2023, the bank borrowing was secured by the Group’s future lease receipts with aggregate values of approximately RMB 9,278,000. The bank borrowing carries at effective interest rate of 2.5% per annum and is repayable within one year.
- (c) The bank borrowing carries at effective interest rate of 2.7% per annum and is repayable within one year.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 17. DEFERRED TAX

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Net deferred tax liabilities	<u>84,228</u>	<u>88,895</u>

The followings are the major deferred tax assets/(liabilities) recognised and movements thereon during the six months ended 30 June 2023 and the year ended 31 December 2022:

	ECL provision of trade receivables RMB'000	Capitalised software costs RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2022 (audited)	3,152	(18,897)	(61,462)	(77,207)
Charged to profit or loss	<u>—</u>	<u>—</u>	<u>(11,688)</u>	<u>(11,688)</u>
At 31 December 2022 and 1 January 2023 (audited)	<u>3,152</u>	<u>(18,897)</u>	<u>(73,150)</u>	<u>(88,895)</u>
Credited to profit or loss	<u>—</u>	<u>—</u>	<u>4,351</u>	<u>4,351</u>
Release to profit or loss upon payment of withholding tax	<u>—</u>	<u>—</u>	<u>316</u>	<u>316</u>
At 30 June 2023 (unaudited)	<u>3,152</u>	<u>(18,897)</u>	<u>(68,483)</u>	<u>(84,228)</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is imposed on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. As at 30 June 2023 and 31 December 2022, the Group has recognised the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.



**18. SHARE CAPITAL**

Shown on the condensed consolidated statement of financial position

	Number of shares '000	Share capital RMB'000
Ordinary shares of HKD0.01 each		
Authorised		
At 1 January 2022 (audited), 30 June 2022 (unaudited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>8,000,000</u>	<u>59,128</u>
Issued and fully paid		
At 1 January 2022 (audited), 30 June 2022 (unaudited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>1,222,385</u>	<u>9,876</u>

**19. SHARE-BASED PAYMENT TRANSACTIONS****(a) Pre-IPO Share Option Scheme**

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

The Share Option Scheme expired on 10 June 2023 and no share option was granted since the date of its adoption.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 19. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

#### (b) Share Award Scheme

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

On 14 October 2022, the board passed a resolution to terminated the share award scheme with immediate effect.

### 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group establishes the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee’s findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value, if any.

**20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued****Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, 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 that are not based on observable market data (i.e. unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable input
	30 June 2023 (unaudited)	31 December 2022 (audited)			
Unlisted equity investments	N/A	RMB nil	Level 3	Asset-based approach	N/A

For the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

There is no movement in the balance of Level 3 fair value measurement during the year ended 31 December 2022. During the six months ended 30 June 2023, the unlisted equity investments were derecognised upon the completion of the voluntary winding up procedure of the investee.

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

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 30 June 2023 and 31 December 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 21. DISPOSAL OF A SUBSIDIARY

On 10 May 2022, Nanjing Skytech entered into sale and purchase agreements with Nanjing Skytech Carbon Value Management Consulting Partnership (Limited Partnership)\* 南京擎天碳鑫達管理諮詢合夥企業(有限合夥) and Nanjing Skytech JiuTai Management Consulting Partnership (Limited Partnership)\* 南京擎天玖泰管理諮詢合夥企業(有限合夥), which are independent third parties, for disposal of its 60% equity interest in Industrial Internet at a total cash consideration of RMB 6,000,000. The net liabilities of Industrial Internet at the date of disposal were as follows:

	2022 RMB'000 (unaudited)
<hr/>	
<b>Net liabilities disposed of:</b>	
Property, plant and equipment	127
Inventories	120
Trade receivables	4
Other receivables	29
Bank balances and cash	10,086
Balance with a related company	(25,811)
Trade payables	(597)
Other payables and accruals	(511)
	<hr/>
Net liabilities disposed of	(16,553)
	<hr/>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received	6,000
Net liabilities disposed of	16,553
Non-controlling interests	298
	<hr/>
Gain on disposal of a subsidiary	22,851
	<hr/>
<b>Satisfied by:</b>	
Cash	6,000
	<hr/>
<b>Net cash outflow arising on disposal:</b>	
Cash consideration received	6,000
Less: Bank balances and cash disposed of	(10,086)
	<hr/>
	(4,086)
	<hr/>

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

## 22. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Nature of transactions with related companies		
Rental expenses	1,796	831
Purchase of inventories	725	—
Purchase of intangible assets	4,330	—
	<u>6,851</u>	<u>831</u>

Note: During the six months ended 30 June 2023 and 2022, the above transactions were conducted with related companies over which Ms. Xin has a common control.

- (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Short-term employee benefits	2,292	2,128
Retirement benefits scheme contributions	72	92
	<u>2,364</u>	<u>2,220</u>

### 23. CONTINGENT LIABILITIES AND PROVISIONS

- (i) Nanjing Skytech has been involved in a series of disputes with Janful Limited (“Janful”) over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People’s Court, ordering the defendants of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd. (南京南華擎天資訊科技有限公司) (“Nanhua Skytech”). The Group had issued a defend letter and filed an appeal to the Higher People’s Court of Jiangsu Province (“Higher Court”). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People’s Court of The People’s Republic of China (“Supreme People’s Court”). On 3 August 2016, the Group received a notice of case registration from the Supreme People’s Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People’s Court. Pursuant to the Company’s further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People’s Court (the “Beijing Court”) for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award (“CIETAC Arbitral Award”) which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful’s application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful’s application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company’s announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People’s Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the condensed consolidated financial statements at 30 June 2023 and prior periods.

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.

- (ii) Nanjing Skytech and Jiangsu Skytech Investment (collectively as “defendants”) have been involved in a procurement dispute with an independent third party (as “plaintiff”). The plaintiff claimed the outstanding contract sum and liquidated damages in the total amount of approximately RMB 10,424,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 11 October 2022, the Group received a judgment from Nanjing Jiangbei New Area People’s Court and ordered that Nanjing Skytech is required to pay a sum of approximately RMB 7,977,000 plus related costs of approximately RMB 876,000. The Group had issued a defend letter and accepted by Nanjing Intermediate People’s Court. As at 30 June 2023, the trial was still in the process of second review and a provision of claim in the amount of approximately RMB 8,853,000 (31 December 2022: RMB 8,853,000) was made under other payables.