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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

HIGHLIGHTS

- Revenue of the Group's continuing operations for the six months ended 30 June 2021 was approximately RMB 206.7 million, representing an increase of approximately 5.0% as compared to approximately RMB 196.9 million for the six months ended 30 June 2020 (restated).
- Loss and total comprehensive expense for the six months ended 30 June 2021 was approximately RMB 28.6 million, as compared to profit and total comprehensive income of approximately RMB 77.7 million for the six months ended 30 June 2020.
- Basic loss per share for the six months ended 30 June 2021 was RMB 2.30 cents, as compared to basic earnings per share of RMB 6.48 cents for the six months ended 30 June 2020.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Sinosoft Technology Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (“**Reporting Period**”), together with the comparative figures for the corresponding period in the year 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>NOTE</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
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)
		<hr/>	<hr/>
(Loss)/profit before taxation	7	(30,163)	58,208
Taxation	8	1,528	(8,912)
		<hr/>	<hr/>
(Loss)/profit and total comprehensive (expense)/income for the period from continuing operations		(28,635)	49,296
Discontinued operation			
Profit and total comprehensive income for the period from discontinued operation		—	28,444
		<hr/>	<hr/>
(Loss)/profit and total comprehensive (expense)/income for the period		(28,635)	77,740
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended 30 June	
		2021	2020
<i>NOTE</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited) (restated)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company:			
— from continuing operations		(28,168)	49,721
— from discontinued operation		—	29,500
		<u>(28,168)</u>	<u>79,221</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to non-controlling interests:			
— from continuing operations		(467)	(425)
— from discontinued operation		—	(1,056)
		<u>(467)</u>	<u>(1,481)</u>
		<u>(28,635)</u>	<u>77,740</u>
		<i>RMB cents</i>	<i>RMB cents</i>
		(unaudited)	(unaudited)
(Loss)/earnings per share			
From continuing and discontinued operations			
— Basic and diluted		(2.30)	6.48
		<u>(2.30)</u>	<u>6.48</u>
From continuing operations			
— Basic and diluted (2020: Restated)		(2.30)	4.07
		<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)
Non-current assets			
Property, plant and equipment		85,372	87,918
Right-of-use assets		13,408	13,619
Intangible assets	11	332,035	308,922
Restricted bank deposits		28,160	28,160
Financial assets at fair value through profit or loss		—	—
Prepayment for purchase of intangible assets		27,181	—
		486,156	438,619
Current assets			
Inventories		745	621
Trade and other receivables	13	1,414,509	1,441,045
Pledged bank deposits		2,046	1,229
Bank balances and cash		297,074	694,258
		1,714,374	2,137,153
Current liabilities			
Trade and bills payables	14	73,610	94,916
Other payables		77,024	105,396
Contract liabilities		3,778	3,050
Borrowings	15	70,000	80,000
Tax liabilities		4,689	57,241
		229,101	340,603
Net current assets		1,485,273	1,796,550
Total assets less current liabilities		1,971,429	2,235,169
Non-current liabilities			
Deferred tax liabilities	12	71,010	87,720
		71,010	87,720
Net assets		1,900,419	2,147,449
Capital and reserves			
Share capital		9,876	9,876
Reserves		1,893,084	2,139,647
Equity attributable to owners of the Company		1,902,960	2,149,523
Non-controlling interests		(2,541)	(2,074)
Total equity		1,900,419	2,147,449

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL AND BASIS OF PREPARATION

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”).

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.

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 form the basis on which the Group reports its segment information.

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

Segment revenue

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

	Six months ended 30 June 2020 (unaudited)		
	Government big data software and related services <i>RMB'000</i> (restated)	Low carbon & ecology software and related services <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Continuing operations			
Types of goods or services			
Sales of software product	166,250	23,107	189,357
Sales of hardware product	6,133	—	6,133
Service income	1,418	—	1,418
Total	173,801	23,107	196,908
Timing of revenue			
At point of time	172,383	23,107	195,490
Over time	1,418	—	1,418
Total	173,801	23,107	196,908
Six months ended 30 June			
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(unaudited)	(restated)
Continuing operations			
Segment results			
Government big data software and related services	17,461	79,797	
Low carbon & ecology software and related services	4,404	3,258	
Total segment results	21,865	83,055	
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	(28,635)	49,296	

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

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

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

Geographical information

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

4. RESULTS FOR THE PERIOD

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

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	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Impairment on trade receivables (<i>Note 13</i>)	5,187	3,948
Net foreign exchange loss	122	22
Others	130	64
	5,439	4,034
	5,439	4,034

7. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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
	90,995	73,686
	90,995	73,686
Finance costs — interests paid	1,479	369
Net foreign exchange loss	122	22
Cost of inventories recognised as an expense	83,588	38,256
	83,588	38,256
	83,588	38,256

8. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited) (restated)
Continuing operations		
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>

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.

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

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

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. 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.

12. 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 <i>RMB'000</i>	Undistributed profits of subsidiaries <i>RMB'000</i>	Capitalised software costs <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 (audited)	<u>2,907</u>	<u>(67,888)</u>	<u>(22,739)</u>	<u>(87,720)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2021 (audited)	2,907	(67,888)	(22,739)	(87,720)
(Charge)/credit to profit or loss	(520)	—	3,804	3,284
Reversal upon payment of withholding tax	—	13,426	—	13,426
	<hr/>	<hr/>	<hr/>	<hr/>
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.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (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 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (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>

14. 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 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
0 to 90 days	46,671	80,087
91 to 180 days	3,633	7,416
181 days to 365 days	16,466	3,885
Over 1 year	6,840	3,528
	<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.

15. BORROWINGS

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (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).

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. 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, upgrade 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., establish an assessment system to facilitate control capabilities improvement and digital tracking process, to meet the new requirements of “dual carbon” authorities of governments at all levels and parks.

At industry regulatory level, upgrade 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 analysis algorithms tailored to specific carbon emission characteristics of various industries and scenarios, 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 Reporting Period, the Group's years of accumulated experience and expertise in government services combined 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 reducing the risk of ambiguity and tampering of public legal service documents. During the Reporting Period, the Group completed the integration of its authentication business and 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 year by year. 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 launched SaaS specialty services. Currently, the Group's public legal service integrated machine has sold 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 couple with the continuously launched public grassroots service SaaS applications to form a new market in the future.

iii) City safety governance

With the background of 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 launched a number of products recognized by the industry. 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 promote nationwide; the Skytech "1+5+N" Smart Emergency Solution 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.

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.

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 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, 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 increased 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.

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 AND LIQUIDITY

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 has borrowings of RMB 70 million (31 December 2020: RMB 80 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 3.7% (31 December 2020: 3.7%). The Group has no significant contingent liabilities as at 30 June 2021.

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 will be set out in the Company's interim report for the six months ended 30 June 2021.

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.

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, couples with offline verification when necessary, eventually generates Skytech and DNV 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, to let 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 will see 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 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.

INTERIM DIVIDEND

The Board 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).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its corporate governance code of practices. 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, save for the deviation of code provision A.2.1 as below:

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

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

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 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 had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 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 will be included in the interim report of the Company to be despatched to its shareholders. The announcement and the unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2021 have also been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal controls of the Company and to assist the Board to fulfill its responsibilities over audit.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at www.sinosoft-technology.com. The interim report of the Group for the six months ended 30 June 2021 containing all the relevant information required by the Listing Rules will be despatched to the shareholders of the Company and also be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 August 2021

As at the date of this announcement, the executive Directors of the Company are Ms. Xin Yingmei and Mr. Su Hui, the non-executive Director of the Company is Mr. Ren Geng, and the independent non-executive directors of the Company are Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping.