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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 2022**

**HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 June 2022 was approximately RMB 203.9 million, representing a decrease of approximately 1.4% as compared to approximately RMB 206.7 million for the six months ended 30 June 2021.
- Profit and total comprehensive income for the six months ended 30 June 2022 was approximately RMB 2.5 million, as compared to loss and total comprehensive expense of approximately RMB 28.6 million for the six months ended 30 June 2021.
- Basic earnings per share for the six months ended 30 June 2022 was RMB 0.27 cents, as compared to basic loss per share of RMB 2.30 cents for the six months ended 30 June 2021.

## INTERIM RESULTS

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 2022, together with the comparative figures for the corresponding period in the year 2021, as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTE	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>203,876</b>	206,716
Value-added tax refund		—	2
Cost of sales		<b>(132,233)</b>	(144,263)
Research and development costs		<b>(54,754)</b>	(40,590)
Other income and gains	5	<b>26,350</b>	10,361
Other expenses and losses	6	<b>(3,645)</b>	(5,439)
Distribution and selling expenses		<b>(12,550)</b>	(10,051)
General and administrative expenses		<b>(17,964)</b>	(45,420)
Finance costs		<b>(832)</b>	(1,479)
<b>Profit/(loss) before taxation</b>	7	<b>8,248</b>	(30,163)
Income tax (expense)/credit	8	<b>(5,762)</b>	1,528
<b>Profit/(loss) and total comprehensive income/ (expense) for the period</b>		<b>2,486</b>	(28,635)
<b>Profit/(loss) and total comprehensive income/ (expense) for the period attributable to:</b>			
— Owners of the Company		<b>3,321</b>	(28,168)
— Non-controlling interests		<b>(835)</b>	(467)
		<b>2,486</b>	(28,635)
		<b>RMB cents (unaudited)</b>	<b>RMB cents (unaudited)</b>
<b>Earnings/(loss) per share</b>			
— Basic and diluted	10	<b>0.27</b>	(2.30)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>NOTE</i>	As at <b>30 June 2022</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		82,941	83,923
Right-of-use assets		13,047	13,228
Intangible assets	12	353,068	343,576
Restricted bank deposits		28,160	28,160
Pledged bank deposits		491	491
Time deposits with original maturities over three months		80,000	70,000
Financial assets at fair value through profit or loss		—	—
		<b>557,707</b>	539,378
<b>CURRENT ASSETS</b>			
Inventories		1,091	968
Trade and other receivables	13	1,514,103	1,491,309
Amount due from a related company		25,811	—
Pledged bank deposits		999	2,019
Bank balances and cash		96,521	201,399
		<b>1,638,525</b>	1,695,695
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	62,957	84,020
Other payables		78,213	92,524
Contract liabilities		1,829	16,372
Borrowings	15	20,000	20,000
Tax liabilities		30	883
		<b>163,029</b>	213,799
<b>NET CURRENT ASSETS</b>		<b>1,475,496</b>	1,481,896
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,033,203</b>	2,021,274
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	16	82,948	77,207
<b>NET ASSETS</b>		<b>1,950,255</b>	1,944,067
<b>CAPITAL AND RESERVES</b>			
Share capital		9,876	9,876
Reserves		1,940,379	1,937,058
Equity attributable to owners of the Company		1,950,255	1,946,934
Non-controlling interests		—	(2,867)
<b>TOTAL EQUITY</b>		<b>1,950,255</b>	1,944,067

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 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 methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group’s annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Amendments to IFRSs</i>	<i>Annual Improvements to IFRSs 2018 — 2020</i>

The application of the 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 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 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 for the period under review:

#### Segment revenue

	Six months ended 30 June 2022 (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>
<b>Types of goods or services</b>			
Sales of software product	190,547	10,505	201,052
Sales of hardware product	2,654	—	2,654
Service income	170	—	170
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>193,371</b>	<b>10,505</b>	<b>203,876</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>			
At point of time	193,201	10,505	203,706
Over time	170	—	170
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>193,371</b>	<b>10,505</b>	<b>203,876</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>Six months ended 30 June 2021 (unaudited)</b>		
	<b>Government big data software and related services</b>	<b>Low carbon &amp; ecology software and related services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Types of goods or services</b>			
Sales of software product	163,045	36,148	199,193
Sales of hardware product	7,452	—	7,452
Service income	71	—	71
<b>Total</b>	<b>170,568</b>	<b>36,148</b>	<b>206,716</b>
<b>Timing of revenue recognition</b>			
At point of time	170,497	36,148	206,645
Over time	71	—	71
<b>Total</b>	<b>170,568</b>	<b>36,148</b>	<b>206,716</b>
		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Segment results</b>			
— Government big data software and related services		<b>34,666</b>	17,461
— Low carbon & ecology software and related services		<b>(17,777)</b>	4,404
Total segment results		<b>16,889</b>	21,865
Other income and gains		<b>26,350</b>	10,361
Other expenses and losses		<b>(3,645)</b>	(5,439)
Distribution and selling expenses		<b>(12,550)</b>	(10,051)
General and administrative expenses		<b>(17,964)</b>	(45,420)
Finance costs		<b>(832)</b>	(1,479)
Profit/(loss) before taxation		<b>8,248</b>	(30,163)
Income tax (expense)/credit		<b>(5,762)</b>	1,528
Profit/(loss) and total comprehensive income/ (expense) for the period		<b>2,486</b>	(28,635)

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 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. 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. 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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Gain on disposal of a subsidiary ( <i>Note 9</i> )	<b>22,851</b>	—
Interest income	<b>2,265</b>	7,512
Government grants ( <i>Note (a)</i> )	<b>229</b>	1,462
Others ( <i>Note (b)</i> )	<b>1,005</b>	1,387
	<b>26,350</b>	10,361

*Note (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.

*Note (b)*: For the six months ended 30 June 2022, others included rental income of RMB 831,000 (six months ended 30 June 2021: RMB 1,213,000) from a related company, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited (“**Quan Shui Tong**”), which Ms. Xin Yingmei (“**Ms. Xin**”) chairlady of the Company, has a common control.

## 6. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Impairment on trade receivables	3,594	5,187
Net foreign exchange (gains)/losses	(96)	122
Others	147	130
	<u>3,645</u>	<u>5,439</u>

## 7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	3,741	3,493
Depreciation of right-of-use assets	181	31
Amortisation of intangible assets:		
— Amortisation of capitalised software costs (included in cost of sales)	54,467	48,312
— Amortisation of other software (included in research and development costs)	52,843	39,159
	<u>111,232</u>	<u>90,995</u>
Finance costs — interests paid	832	1,479
Research and development costs recognised as an expense	54,754	40,590
Cost of inventories recognised as an expense	<u>75,516</u>	<u>83,588</u>



## 8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	21	1,756
Deferred tax	5,741	(3,284)
	<u>5,762</u>	<u>(1,528)</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 their 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**”) obtained “High-tech Enterprise” certificates. Accordingly, the applicable income tax rate for Nanjing Skytech from Year 2014 to Year 2016 was 15%. A review was conducted in October 2017, pursuant to which Nanjing Skytech was 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. 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.

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 income tax rate for the year ended 31 December 2019 and 2020. During the year ended 2021, 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. 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 2021: 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 (“**Industrial Internet**”) were 25% for the six months ended 30 June 2022 and 2021.

## 9. 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) and Nanjing Skytech JiuTai Management Consulting Partnership (Limited Partnership)\*, 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:

	<i>RMB'000</i> (unaudited)
<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/> <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/> <hr/>
<b>Satisfied by:</b>	
Cash	6,000
	<hr/> <hr/>
<b>Net cash outflow arising on disposal:</b>	
Cash consideration received	6,000
Bank balances and cash disposed of	(10,086)
	<hr/>
Net cash outflow arising on disposal	(4,086)
	<hr/> <hr/>

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

## 10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the		
Company for the purpose of basic earnings/(loss) per share	<u>3,321</u>	<u>(28,168)</u>
	Six months ended 30 June	
	2022	2021
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>1,222,385</u>	<u>1,222,385</u>

For the periods ended 30 June 2022 and 2021, dilutive earnings/(loss) per share has not been calculated as there were no potential dilutive shares outstanding.

## 11. DIVIDENDS

During the six months ended 30 June 2022, no final dividend for the year ended 31 December 2021 was proposed by the Company's directors on 28 March 2022. The directors did not recommend payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB nil).

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.

## 12. INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group incurred the additions of cost at approximately RMB 116,802,000 (six months ended 30 June 2021: RMB 110,584,000) which represented the capitalised software costs generated internally amounting to approximately RMB 61,183,000 (six months ended 30 June 2021: RMB 40,582,000) and other purchased software amounting to approximately RMB 55,619,000 (six months ended 30 June 2021: RMB 70,002,000) for the new software product development.

### 13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables:		
Third parties	1,342,808	1,326,083
Less: Allowance for credit losses	(35,123)	(31,529)
	<u>1,307,685</u>	<u>1,294,554</u>
Other receivables:		
Prepayments to suppliers	194,943	175,976
Deposits	6,650	6,633
Advances to employees	2,257	1,738
Others	2,568	12,408
	<u>1,514,103</u>	<u>1,491,309</u>
Total trade and other receivables	<u><u>1,514,103</u></u>	<u><u>1,491,309</u></u>

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement being around one year. A longer credit term may be extended to certain customers depending on price, the size of the contract, credibility and reputation. 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 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
0 to 60 days	155,052	282,919
61 to 90 days	7,237	1,302
91 to 180 days	5,716	5,417
181 to 365 days	221,564	107,633
Over 1 year but less than 2 years	88,715	279,788
Over 2 years	829,401	617,495
	<u>1,307,685</u>	<u>1,294,554</u>
	<u><u>1,307,685</u></u>	<u><u>1,294,554</u></u>

#### 14. TRADE AND BILLS PAYABLES

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

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (audited)
0 to 90 days	54,041	46,089
91 to 180 days	1,653	2,322
181 to 365 days	3,500	28,662
Over 1 year	3,763	6,947
	<u>62,957</u>	<u>84,020</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 <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (audited)
Guaranteed bank borrowings	<u>20,000</u>	<u>20,000</u>

The bank borrowings carry interest at fixed rate of 3.80% (31 December 2021: 3.85%) per annum and is repayable within one year.

As at 30 June 2022, the bank borrowings were guaranteed by personal guarantee of Ms. Xin, Chairlady of the Company with maximum amount of RMB 20,000,000 (31 December 2021: corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company with maximum amount of RMB 70,000,000).

## 16. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the six months ended 30 June 2022 and the year ended 31 December 2021:

	<b>Expected credit losses provision</b> <i>RMB'000</i>	<b>Undistributed profits of subsidiaries</b> <i>RMB'000</i>	<b>Capitalised software costs</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2021 (audited)	2,907	(67,888)	(22,739)	(87,720)
Credit/(charge) to profit or loss	245	(7,000)	3,842	(2,913)
Reversal upon payment of withholding tax	—	13,426	—	13,426
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022 (audited)	3,152	(61,462)	(18,897)	(77,207)
Credit/(charge) to profit or loss	359	(6,000)	(100)	(5,741)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2022 (unaudited)	<u>3,511</u>	<u>(67,462)</u>	<u>(18,997)</u>	<u>(82,948)</u>

Under the PRC enterprise income law, a 10% withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Singapore, a preferential rate of 5% will be applied where appropriate. As at 30 June 2022 and 31 December 2021, 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Since 2022, under complex international and domestic situations such as intensified geopolitical conflicts, rising risks of global stagflation, and repeated outbreaks of COVID-19, the risks and uncertainties in economic development have been increasing, causing the macroeconomy to deviate from the normal growth track, and brought challenges to the Group in the first half of the year. Despite the difficult business environment, the Group has continued to make efforts in research and development (“**R&D**”) and leveraged its strengths in various major product areas to maintain overall stable revenue.

For the government big data market, due to the increased downward pressure on the economy, government departments gradually reduced spending and halted unnecessary investment. Informatisation budgets were cut, projects were postponed, and the payment cycle was also affected. In addition, the rising labor cost added significant pressure to the Group. Nonetheless, the Group is committed to using its years of experience in government data governance to provide customers with products that meet current needs and that maintained a stable income and market position in government products.

The economic slowdown has an even greater impact on the low carbon and ecology market, coupled with the decelerating pace for carbon neutrality around the world, relevant product demand was hardly seen. In the uncertain market development direction, the Group strived to explore different strategies and continued to optimize existing products and sales to prepare for the future market.

### **REVENUE**

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB 203.9 million, representing an approximately 1.4% decrease when compared to approximately RMB 206.7 million for the corresponding period in 2021, mainly attributable to the decrease in revenue generated from low carbon & ecology software and related services.

#### **Government Big Data Software and Related Services**

For the six months ended 30 June 2022, revenue generated from government big data software and related services amounted to approximately RMB 193.4 million, representing an increase of approximately 13.4% when compared to approximately RMB 170.6 million for the corresponding period in 2021. Market demand for relevant products remained stable during the six months ended 30 June 2022.



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

For the six months ended 30 June 2022, revenue generated from low carbon & ecology software and related services amounted to approximately RMB 10.5 million, representing a decrease of approximately 70.9% when compared to approximately RMB 36.1 million for the corresponding period in 2021, 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 2022, the Group's cost of sales was approximately RMB 132.2 million, representing a decrease of approximately 8.3% when compared to approximately RMB 144.3 million for the six months ended 30 June 2021, mainly due to the decrease in costs spent on purchasing systems and components.

## **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 2022, the segment results of the Group recorded approximately RMB 16.9 million, representing a decrease of approximately 22.8% as compared to approximately RMB 21.9 million for the six months ended 30 June 2021.

The segment results margin of the Group was approximately 8.3% for the six months ended 30 June 2022, representing a decrease from approximately 10.6% for the six months ended 30 June 2021.

## **RESEARCH AND DEVELOPMENT COSTS**

For the six months ended 30 June 2022, the Group's R&D costs amounted to approximately RMB 54.8 million, representing an increase of approximately 34.9% as compared to approximately RMB 40.6 million for the six months ended 30 June 2021, mainly attributable to the increased 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 2022, the Group's other income and gains was approximately RMB 26.4 million, which was an increase from approximately RMB 10.4 million for the six months ended 30 June 2021. The increase was mainly due to the 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 9 to the condensed consolidated financial statements contained in this announcement.

## **OTHER EXPENSES AND LOSSES**

For the six months ended 30 June 2022, the Group's other expenses and losses amounted to approximately RMB 3.6 million, which was decreased from approximately RMB 5.4 million for the six months ended 30 June 2021, mainly due to the decrease in impairment on trade receivables during the six months ended 30 June 2022.

## **DISTRIBUTION AND SELLING EXPENSES**

For the six months ended 30 June 2022, the Group's distribution and selling expenses was approximately RMB 12.6 million, representing an increase from approximately RMB 10.1 million for the six months ended 30 June 2021, mainly attributable to the expansion of markets outside Jiangsu Province.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

For the six months ended 30 June 2022, the Group's general and administrative expenses was approximately RMB 18.0 million, representing a significant decrease from approximately RMB 45.4 million for the six months ended 30 June 2021. The decrease was mainly due to the absence of cost incurred by the grant of awarded shares to certain employees during the six months ended 30 June 2022.

## **INCOME TAX EXPENSE**

For the six months ended 30 June 2022, the Group's income tax expense was approximately RMB 5.8 million, as compared to the income tax credit of approximately RMB 1.5 million for the six months ended 30 June 2021, mainly due to the deferred tax charge recorded during the six months ended 30 June 2022.

## **PROFIT AND TOTAL COMPREHENSIVE INCOME**

For the six months ended 30 June 2022, the Group recorded a profit and total comprehensive income of approximately RMB 2.5 million, as compared to a loss and total comprehensive expense of approximately RMB 28.6 million for the six months ended 30 June 2021.

## **NET CURRENT ASSETS**

As at 30 June 2022, the Group had net current assets of approximately RMB 1,475.5 million (31 December 2021: RMB 1,481.9 million).

## **FINANCIAL RESOURCES AND LIQUIDITY**

During the six months ended 30 June 2022, the Group's primary source of funding came from cash generated from its operating activities. During the six months ended 30 June 2022, the Group recorded a net cash inflow from operating activities amounted to approximately RMB 22.3 million (30 June 2021: net cash outflow of approximately RMB 8.5 million). As at 30 June 2022, the Group had cash and cash equivalent of approximately RMB 96.5 million (31 December 2021: RMB 201.4 million).

As at 30 June 2022, the Group has borrowings of RMB 20 million (31 December 2021: RMB 20 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 1.0% (31 December 2021: 1.0%). Save for the same contingent liabilities carried forward from prior period as per the Note 42 in the consolidated financial statements for the year ended 31 December 2021 contained in the 2021 annual report of the Company, the Group has no other significant contingent liabilities as at 30 June 2022.

## **INTANGIBLE ASSETS**

The Group's intangible assets consist mainly of capitalised software costs and purchased software. For the six months ended 30 June 2022, the increase in intangible assets of approximately RMB 9.5 million was mainly attributable to the addition to capitalised software costs of approximately RMB 61.2 million (30 June 2021: RMB 40.6 million) and the addition to purchased software of RMB 55.6 million (30 June 2021: RMB 70.0 million) less the amortisation charges.

## **HUMAN RESOURCES**

As at 30 June 2022, the Group had a total of 488 employees (31 December 2021: 507). 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 2022.

## **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 six months ended 30 June 2022, the Group recorded an exchange gain of approximately RMB 96,000 (30 June 2021: exchange loss of approximately RMB 122,000). This exchange gain was a result of the depreciation of RMB against the USD and HKD during the six months ended 30 June 2022.

No currency hedging arrangements were made as at 30 June 2022. 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.

## **OUTLOOK**

Looking ahead, in the face of the increasing severe market situation, the Group will continue to commit to R&D, try to make breakthroughs and find new ways for growth on the one hand; and expand the use of artificial intelligence and other technologies to improve the efficiency of R&D, so as to reduce the pressure on labor costs on the other hand.

In the field of government big data, the trend of normalization of pandemic has increased the demand for remote services by government departments, and they are more willing to invest in the purchase of remote self-service equipment to maintain government service capabilities while avoiding crowding. The Group will continue to intensify the research and innovation of integrated remote service equipment, so as to promote a thorough integration of software products and hardware equipment in the markets such as judicial and social governance, to open up new opportunities in existing fields, and enhance the competitive advantage of the Group's government products. In addition, the Group will continue its effort in traditional businesses such as judicial and grid-based products, in order to maintain stable revenue contributions through system upgrades and operation and maintenance.

In the area of low carbon ecology, the Group will continue to closely monitor policy development, research on product direction and positioning under the new business environment, and aim to provide city carbon emission data analysis and management for more government customers.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (For the six months ended 30 June 2021: nil).

## **EVENT AFTER THE REPORTING PERIOD**

The Group has no material events subsequent to 30 June 2022 and up to the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set forth in Part 2 of Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities 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 2022, save for the deviation of code provision C.2.1 as below:

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

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

## **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 2022.

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 2022.

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

During the six months ended 30 June 2022, 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 2022 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 unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2022 has 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. Chan Choo Tee, 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](http://www.hkexnews.hk) and on the Company's website at [www.sinosoft-technology.com](http://www.sinosoft-technology.com). The interim report of the Group for the six months ended 30 June 2022 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, 29 August 2022

*As at the date of this announcement, the executive Directors are Ms. Xin Yingmei and Mr. Su Hui, the non-executive Director is Mr. Ren Geng, and the independent non-executive Directors are Mr. Chan Choo Tee, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping.*