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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 2023**

**HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 June 2023 was approximately RMB 143.6 million, representing a decrease of approximately 29.6% as compared to approximately RMB 203.9 million for the six months ended 30 June 2022.
- Loss and total comprehensive expense for the six months ended 30 June 2023 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.
- Basic loss per share for the six months ended 30 June 2023 was RMB 4.83 cents, as compared to basic earnings per share of RMB 0.27 cents for the six months ended 30 June 2022.

## 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 2023, together with the comparative figures for the corresponding period in the year 2022, as follows:

### 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	2022
		RMB'000	RMB'000
		(unaudited)	(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	12	(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>	8,248
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>	2,486

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>(Loss)/profit and total comprehensive (expense)/ income for the period attributable to:</b>		
— Owners of the Company	<b>(59,001)</b>	3,321
— Non-controlling interests	<u>—</u>	<u>(835)</u>
	<b><u>(59,001)</u></b>	<b><u>2,486</u></b>
	<i>RMB cents</i>	<i>RMB cents</i>
	<b>(unaudited)</b>	(unaudited)
<b>(Loss)/earnings per share</b>		
— Basic and diluted	<i>8</i> <b><u>(4.83)</u></b>	<b><u>0.27</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	<i>NOTE</i>	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		76,738	79,694
Right-of-use assets		12,688	12,868
Intangible assets	10	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		—	—
		<b>507,491</b>	526,321
<b>CURRENT ASSETS</b>			
Inventories		1,953	2,611
Contract costs		—	14,075
Trade, bills and other receivables	11	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
		<b>1,561,272</b>	1,592,854
<b>CURRENT LIABILITIES</b>			
Trade payables	13	71,656	86,880
Other payables		87,476	97,393
Contract liabilities		1,031	1,912
Borrowings	14	89,278	50,000
		<b>249,441</b>	236,185
<b>NET CURRENT ASSETS</b>		<b>1,311,831</b>	1,356,669
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,819,322</b>	1,882,990
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	15	84,228	88,895
<b>NET ASSETS</b>		<b>1,735,094</b>	1,794,095
<b>CAPITAL AND RESERVES</b>			
Share capital		9,876	9,876
Reserves		1,725,218	1,784,219
Equity attributable to owners of the Company		<b>1,735,094</b>	1,794,095
Non-controlling interests		—	—
<b>TOTAL EQUITY</b>		<b>1,735,094</b>	1,794,095

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 1. GENERAL AND BASIS OF PREPARATION

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 “**Listing Rules**”).

### 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.

#### 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:

#### (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 <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 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>

Segments	Six months ended 30 June 2022 (unaudited)		Total <i>RMB'000</i>
	Government big data software and related services <i>RMB'000</i>	Low carbon & ecology software and related services <i>RMB'000</i>	
<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>

(ii) Segment results

	Six months ended 30 June 2023 (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>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>
Loss before tax			<u>(63,352)</u>



	Six months ended 30 June 2022 (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>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>
Profit before tax			<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.

### **(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	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	2,653	2,265
Government grants <i>(Note (a))</i>	1,033	229
Rental income <i>(Note (b))</i>	1,797	831
Gain on derecognition of financial assets at fair value through profit or loss	76	—
Gain on disposal of a subsidiary <i>(Note 16)</i>	—	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, chairlady of the Company, has common control.

## 5. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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>

## 7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	316	21
Deferred tax ( <i>Note 15</i> )	<u>(4,667)</u>	<u>5,741</u>
	<u><b>(4,351)</b></u>	<u><b>5,762</b></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	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purposes of basic (loss)/earnings per share, being (loss)/profit for the period attributable to owners of the Company	<u><b>(59,001)</b></u>	<u><b>3,321</b></u>

**Six months ended 30 June**

<b>2023</b>	<b>2022</b>
<b>'000</b>	<b>'000</b>

**Number of shares**

Weighted average number of ordinary shares for the purpose  
of basic (loss)/earnings per share

<b><u>1,222,385</u></b>	<b><u>1,222,385</u></b>
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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. 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.

## 11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables	1,304,420	1,349,863
Less: Allowance for credit losses	<u>(135,993)</u>	<u>(119,842)</u>
Trade receivables, net	1,168,427	1,230,021
Bills receivables	<u>—</u>	<u>1,477</u>
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 ( <i>Note</i> )	14,916	18,556
Others	<u>1,247</u>	<u>1,506</u>
	<u><u>1,344,912</u></u>	<u><u>1,383,099</u></u>

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

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

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

	Six months ended 30 June <b>2023</b> <i>RMB'000</i> <b>(unaudited)</b>	2022 <i>RMB'000</i> (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.

### 13. 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:

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	<b>As at 31 December 2022 RMB'000 (audited)</b>
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>



## 14. BORROWINGS

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

### 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.

## 15. 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:

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

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:

	<b>ECL provision of trade receivables RMB'000</b>	<b>Capitalised software costs RMB'000</b>	<b>Withholding tax RMB'000</b>	<b>Total RMB'000</b>
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)	3,152	(18,897)	(73,150)	(88,895)
Credited to profit or loss	—	—	4,351	4,351
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)	<b><u>3,152</u></b>	<b><u>(18,897)</u></b>	<b><u>(68,483)</u></b>	<b><u>(84,228)</u></b>

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.

## 16. 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)
<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
Less: Bank balances and cash disposed of	(10,086)
	<hr/>
	4,086
	<hr/> <hr/>

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

## 17. 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.

## **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 16 to the condensed consolidated financial statements contained in this announcement.

## **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.

## **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 AND LIQUIDITY**

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%). Save as disclosed in Note 17 to the consolidated financial statements contained in this announcement, the Group has no other 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 to recognise and motivate contributions of its employees. Further details regarding the share option scheme will be set out in the Company's interim report for the six months ended 30 June 2023.

## **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.

## **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 intensity 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.

## **INTERIM DIVIDEND**

The Board 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).

## **EVENT AFTER THE REPORTING PERIOD**

The Group has no material events subsequent to 30 June 2023 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 Listing Rules on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its corporate governance code of practices. The Company has applied the principles of good corporate governance and complied with all of the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2023, 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 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**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated financial statements 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 will be included in the interim report of the Company to be despatched to its shareholders. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 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. Li Dong and Mr. Zong Ping. Mr. Li Dong 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 2023 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, 28 August 2023

*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. Chan Choo Tee, Mr. Li Dong and Mr. Zong Ping.*