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

2019
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

NON-EXECUTIVE DIRECTORS

Mr. Hu Xiaoming, Simon (resigned on 1 July 2019)
Mr. Ren Geng (appointed on 1 July 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
Mr. Kang Choon Kiat
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Su Hui

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Su Hui
Dr. Ngai Wai Fung

COMPANY SECRETARY

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

AUDITOR

Baker Tilly Hong Kong Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

No. 26 Tianpu Road
Jiangpu Street
Pukou District
Nanjing City
Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL DEVELOPMENT

During the six months ended 30 June 2019 (the "**Reporting Period**"), despite the complicated and severe economic environment, Sinosoft Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") persisted its efforts in developing its core business and products. During the Reporting Period, both the Group's revenue and profit maintained steady growth. Meanwhile, the Group keenly invested in research and development of big data analytics and data value-added services that are able to cater to market demand.

To assist export enterprise clients in dealing with the difficult trading environment, the Group continues to optimize software and services for export enterprises. In addition to products for tax rebates, certificate management and invoicing system targeting different types of export enterprises, which can significantly assist customers to improve management efficiency, the Group also develops integrated products consolidating features for other parts in export business, such as customs declaration and supply chain management, and also big data analytics products on top of existing products. These integrated solutions and big data analytics products allow customers to consolidate business processes and relevant data, so as to accurately analyze business prospects and improve operation efficiency.

Under the policy direction of "streamline administration and delegate powers, improve regulation and optimize services" promoted by the government, government big data software and related services is facing greater market opportunities. The Group's "grid" social governance system and "last mile" self-service equipment for government services have huge demand. New intelligent judicial products are continuously promoted in different provinces.

Along with continuous development in the low carbon and ecology market, relevant demand of the government, enterprises and the public became more diverse. The Group adjusted its product positioning and built a closed-loop business model for ecological sustainable development with four focuses namely low carbon, environmental protection, energy conservation, and recycling. In addition, it also incorporated cross-disciplinary data including public opinion and developed new data products such as ecological environment big data, natural resource audit, and fraud analysis of production and waste data. The Skytech Green Low Carbon Industrial Internet Platform targeting enterprise clients is constantly optimizing for more powerful features.

REVENUE

For the six months ended 30 June 2019, the Group's revenue recorded approximately RMB 319.3 million, representing a 11.4% growth when compared to that of approximately RMB 286.5 million for the corresponding period in 2018. During the Reporting Period, all the Group's core business segments, namely export enterprise cloud-based software and services, government big data software and related services and low carbon & ecology software and related services recorded increase in revenue that in turn contributed to the overall revenue growth of the Group.

Export Enterprise Cloud-Based Software and Services

As the Group strives to provide more comprehensive cloud-based software and services for export enterprises, and not simply to assist enterprises to deal with export tax rebate, the Group renamed this segment from “tax software and related services” to “export enterprise cloud-based software and services”, in order to better describe the business nature. The change in segment name does not affect the comparative figures.

During the Reporting Period, there has been no mitigation in the China-US trade friction. The economic environment remained uncertain and inevitably brought pressure to the Group’s export enterprise customers. Under this challenging environment, the Group is committed to respond to market demand and help export enterprises to improve their efficiency and save costs. For the six months ended 30 June 2019, revenue generated from export enterprise cloud-based software and services amounted to approximately RMB 66.3 million, representing an increase of approximately 8.7% when compared with that of approximately RMB 60.9 million for the corresponding period in 2018.

Government Big Data Software and Related Services

For the six months ended 30 June 2019, revenue from government big data software and related services amounted to approximately RMB 180.4 million, representing an increase of approximately 16.7% when compared with that of approximately RMB 154.6 million for the corresponding period in 2018. During the Reporting Period, the Group’s social governance and public security products achieved satisfactory results and sold to different provinces across the country.

Low Carbon & Ecology Software and Related Services

During the Reporting Period, the Group’s different low carbon & ecology products continued to be sold across the country, covering customers from government departments to industrial enterprises. For the six months ended 30 June 2019, revenue from low carbon & ecology software and related services amounted to approximately RMB 47.9 million, representing an increase of approximately 9.0% when compared with that of approximately RMB 44.0 million for the corresponding period in 2018.

System Integration Solutions

System integration solutions is not the Group’s key business segment, but a complementary service to the Group’s other solutions purporting to provide a total solutions service to the customers. During the six months ended 30 June 2019, revenue generated from system integration solutions segment amounted to approximately RMB 24.7 million, as compared with that of approximately RMB 27.0 million for the corresponding period in 2018.

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 system and components for some of its projects. The Group is committed to research and development for new products. During the Reporting Period, the amortisation of capitalised software development cost increased while cost to purchase system and components decreased. These have resulted in the increase of approximately 2.0% in the Group's cost of sales, from approximately RMB 128.5 million during the six months ended 30 June 2018 to approximately RMB 131.0 million during the six months ended 30 June 2019.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund less cost of sales and research and development costs) grew by approximately 17.5% from approximately RMB 140.0 million for the six months ended 30 June 2018 to approximately RMB 164.5 million for the six months ended 30 June 2019.

The Group's overall segment results margin increased from approximately 48.8% in the six-month period ended 30 June 2018 to approximately 51.5% in the six-month period ended 30 June 2019, primarily due to the increase in segment results margin for government big data software and related services.

RESEARCH AND DEVELOPMENT COSTS

The Group's research and development ("**R&D**") costs increased by approximately 10.4% from approximately RMB 23.0 million for the six months ended 30 June 2018 to approximately RMB 25.4 million for the six months ended 30 June 2019. The increase was attributable to the increase in amortisation costs for other software.

OTHER INCOME AND GAINS

The Group's other income and gains, which was mainly made up of the interest income earned from bank deposits, decreased from approximately RMB 3.2 million for the six months ended 30 June 2018 to approximately RMB 2.6 million for the six months ended 30 June 2019, mainly due to reduced bank deposits and lower interest rate environment.

DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses increased from approximately RMB 20.7 million during the six months ended 30 June 2018 to approximately RMB 22.8 million during the six months ended 30 June 2019. The increase was attributable to proactive business expansion.

ADMINISTRATIVE AND GENERAL EXPENSES

The Group's administrative and general expenses increased from approximately RMB 21.3 million during the six months ended 30 June 2018 to approximately RMB 23.6 million during the six months ended 30 June 2019. The increase was attributable to continuous business growth.

OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group increased from approximately RMB 0.2 million for the six months ended 30 June 2018 to approximately RMB 3.7 million for the six months ended 30 June 2019. The increase was mainly due to the impairment on trade receivables for approximately RMB 3.6 million.

INCOME TAX EXPENSE

The Group's income tax expense increased from approximately RMB 10.9 million for the six months ended 30 June 2018 to approximately RMB 16.7 million for the six months ended 30 June 2019. The increase was mainly due to tax concessions for the Group's subsidiary, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("**Quan Shui Tong**"), which enjoyed 50% deduction of enterprise income tax (i.e. tax rate at 12.5%), ended after the year ended 31 December 2018. Quan Shui Tong then obtained "High-tech Enterprise" certificate and tax rate used for the Reporting Period was 15%. In addition, deferred tax for the six months ended 30 June 2019 also increased by approximately RMB 1.2 million as compared with that of the corresponding period in 2018.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the six months ended 30 June 2019 amounted to approximately RMB 99.8 million, representing an increase of approximately 12.5% as compared with that of RMB 88.8 million for the six months ended 30 June 2018. For the Reporting Period, net profit margin maintained at a satisfactory level of 31.3%.

NET CURRENT ASSETS

As at 30 June 2019, the Group had net current assets of RMB 1,103.5 million (31 December 2018: RMB 1,045.9 million).

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2019, the Group's primary source of funding came from cash generated from its operating activities, the net cash inflow from operating activities amounted to approximately RMB 86.4 million (30 June 2018: approximately RMB 21.0 million). As at 30 June 2019, the Group had cash and cash equivalent of approximately RMB 122.4 million (31 December 2018: RMB 190.5 million) and deposits with maturity date over three months of RMB 30 million (31 December 2018: Nil).

As at 30 June 2019, the Group had borrowings of RMB 20 million (31 December 2018: RMB 50 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 1.4% (31 December 2018: 3.7%). Save as otherwise disclosed in this report, the Group has no significant contingent liabilities.

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves. Relevant policies on capital risk management and financial instruments have no material changes from the disclosure in the Group's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"). Please refer to note 35 to the consolidated financial statements of the Group's 2018 Annual Report for more details.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 53.2 million (30 June 2018: RMB 49.2 million) and the addition to purchased software of approximately RMB 39.7 million (30 June 2018: RMB 37.8 million) less the amortisation charges for the Reporting Period.

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 740 employees (31 December 2018: 730). 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 a share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme are set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 12 to 15 of this interim report.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is RMB. However, certain of the Group's bank balances and 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 37,000 (30 June 2018: exchange loss of approximately RMB 0.2 million). This exchange loss during the Reporting Period was a result of the appreciation of RMB against the USD and HKD where during the Reporting Period, the Group had net assets in USD and HKD.

No currency hedging arrangement was made as at 30 June 2019. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

CHARGE ON ASSETS

As at 30 June 2019, the land use rights and buildings of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group. For more details, please refer to note 17 to the condensed consolidated financial statements (31 December 2018: the land use rights and buildings of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group).

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is continuously on the look-out for material investments that can add value to the Group.

OUTLOOK

Whilst the current economic environment remains challenging, the Group will continue to leverage its expertise in all major business areas to develop and market more software and big data analytics products in respond to its customers' needs, while at the same time strive to improve its internet platforms and expand to a larger market prospect.

For export enterprise cloud-based software and services, the Group will continue to develop integrated solutions that combine the features related to different parts of export and consolidate comprehensive data, to assist customers to improve operational efficiency and provide them with more accurate analysis. The Zumoo Platform, which can translate enterprises' historical operational data into their credit, is accelerating promotion among customers and expected to bring new impetus to this segment.

For government big data software and related services, the Group will continue to seize opportunities in the social governance and public security product markets, to accelerate the promotion of the "grid" social governance system, and the "last mile" self-service equipment for government services to different levels of government departments. New intelligent judicial products will also be launched continuously.

For low carbon & ecology software and related services, the Group will continue to enrich its product functions and develop more products for big data analytics and ecological smart cities that are extended from the area of low carbon ecology. The Skytech Green Low Carbon Industrial Internet Platform is continuing to enhance its functions and strive to connect with more enterprises.

With the accumulated experience and capabilities in all major business areas, the Group will be able to accurately capture market demand and maintain business growth.

OTHER INFORMATION

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Director(s)**") did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

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

As at 30 June 2019, interests or short positions in the shares of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") are as follows:

Name of Director	Personal interests	Corporate interests	Interest of spouse	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Xin Yingmei	—	498,465,400 (L) (Note 2)	78,777,000 (L) (Note 3)	577,242,400 (L)	47.22%
Mr. Su Hui	50,000 (L)	—	—	50,000 (L)	0.00%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these Shares.

Save as disclosed above, none of the Directors, or chief executives of the Company and/or any of their respective associates had registered any interests or short positions in any Shares and underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2019, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2019, the persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

Number of Shares held	Capacity	Name of shareholder (Note 1)	Approximate percentage of the issued share capital of the Company
Long Capital International Limited	Beneficial owner	498,465,400 (L) (Note 2)	40.78%
Telewise Group Limited	Beneficial owner	78,777,000 (L) (Note 3)	6.44%
Wang Xiaogang	Interest of a controlled corporation	78,777,000 (L) (Note 3)	6.44%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 4,5)	13.50%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4,5)	13.50%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4,5)	13.50%
FIL Limited	Interest of a controlled corporation	98,044,400 (L) (Note 6,7)	8.02%
Pandanus Associates Inc.	Interest of a controlled corporation	98,044,400 (L) (Note 7)	8.02%
Pandanus Partners L.P.	Interest of a controlled corporation	98,044,400 (L) (Note 7)	8.02%
Fidelity China Special Situations Plc	Beneficial owner	61,565,000 (L) (Note 6)	5.04%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

(4) Alibaba.com Investment Holding Limited is wholly-owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.

(5) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

(6) The beneficial ownership of the 61,565,000 shares held by Fidelity China Special Situations Plc arises in the context of passive investment activities only by the various investment accounts managed by FIL Limited on a discretionary basis.

(7) Pandanus Partners L.P., a wholly-owned subsidiary of Pandanus Associates Inc., is deemed to be interested in 98,044,400 shares of the Company through its direct interest in FIL Limited.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 11 June 2013. As at the date of this interim report, the total number of Shares available for issue under the Share Option Scheme was 100,000,000 Shares, which represented 8.2% of the Shares in issue.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognise and acknowledge the contributions the Eligible Participants under the Share Option Scheme (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants under the Share Option Scheme an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants under the Share Option Scheme to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants under the Share Option Scheme whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme:**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants under the Share Option Scheme**" or each of whom, the "**Eligible Participant under the Share Option Scheme**") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this interim report:**

As at the date of this interim report, no share option has been granted under the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 100,000,000 Shares.

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

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

(i) the issue of a circular by the Company containing the identity of the Eligible Participant under the Share Option Scheme, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant under the Share Option Scheme and his/her associates (as defined in the Listing Rules) abstaining from voting.

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

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

6. **The minimum period for which an option must be held before it can be exercised:**

   There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. **The basis of determining the exercise price:**

   Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

8. **The remaining life of the Share Option Scheme:**

   It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme.

During the six-month ended 30 June 2019, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 December 2016 (the "**Share Award Scheme**") to:

(i) to recognise and motivate the contributions by any employee of the Group and non-executive Director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive Director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "**Eligible Participants under the Share Award Scheme**") and to give incentives thereto in order to retain them for the continual operation and development of the Group;

(ii) to attract suitable personnel for further development of the Group; and

(iii) to provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, Shares will be acquired by the independent trustee, ARK Trust (Hong Kong) Limited (the "**Trustee**") at the cost of the Company from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the Trustee shall not subscribe or purchase any further Shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016 and 12 June 2017, the Board has further resolved that a sum of up to HKD 40 million and HKD 50 million be provided for the purchase of Shares to be awarded to the participants to be selected by the Board respectively. Details of the further share purchase under the Share Award Scheme are set out in the announcements of the Company dated 13 December 2016 and 12 June 2017.

On 22 August 2018, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 16,005,000 awarded Shares to 113 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded Shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 22 August 2018.

During the six months ended 30 June 2019, no Shares have been granted or agreed to be granted to any Eligible Participants under the Share Award Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its corporate governance code of practices. The Company has complied with all of the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2019, with the exception of the following deviation:

Code provision A.2.1 of the CG Code provides that, amongst others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Xin Yingmei 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.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 11 June 2013 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Kwauk Teh Ming, Walter, Mr. Kang Choon Kiat and Mr. Zong Ping, with Mr. Kwauk Teh Ming, Walter serving as chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process to develop and renew its policies and practices on corporate governance and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed the report prepared by the Group's internal audit department on its internal control policies and procedures, including the internal control procedures of the foreign exchange and other investment transactions for the six months ended 30 June 2019.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT MANAGEMENT COMMITTEE

The Company has established an investment management committee (the "**Investment Management Committee**") on 31 October 2012. The Investment Management Committee consists of three independent non-executive Directors, namely, Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Mr. Kang Choon Kiat serving as the chairman of the Investment Management Committee. The primary function of the Investment Management Committee is to enhance the effectiveness of the Group's internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019. 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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2019 has been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included on page 18 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2019 have also been reviewed by the Audit Committee.

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

Hong Kong, 28 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

bakertilly
天職國際

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sinosoft Technology Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 August 2019
Choi Kwong Yu
Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	NOTES	2019	2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	319,284	286,544
Value-added tax refund		1,580	4,883
Cost of sales		(130,987)	(128,477)
Research and development costs		(25,361)	(22,981)
Other income and gains	5	2,586	3,181
Distribution and selling expenses		(22,777)	(20,741)
Administrative and general expenses		(23,617)	(21,291)
Finance costs		(513)	(1,227)
Other expenses and losses	6	(3,684)	(161)
Profit before taxation	7	116,511	99,730
Taxation	8	(16,668)	(10,945)
Profit and total comprehensive income for the period		99,843	88,785
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		100,947	88,785
Non-controlling interests		(1,104)	—
		99,843	88,785
		RMB	RMB
		cents	cents
		(unaudited)	(unaudited)
Earnings per share			
— Basic and diluted	9	8.26	7.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		96,962	98,625
Right-of-use assets		14,128	—
Lease prepayment for land use rights		—	13,948
Intangible assets	11	292,445	260,722
Financial assets at fair value through profit or loss	12	—	—
		403,535	373,295
Current assets			
Inventories		1,510	1,101
Trade and other receivables	14	1,214,276	1,113,948
Pledged bank deposits		454	1,491
Deposits with banks with original maturity date over three months		30,000	—
Bank balances and cash		122,423	190,506
		1,368,663	1,307,046
Current liabilities			
Trade and bills payables	16	132,791	99,833
Other payables		104,630	92,071
Contract liabilities		966	1,199
Borrowings	17	20,000	50,000
Tax liabilities		6,764	18,090
		265,151	261,193
Net current assets		1,103,512	1,045,853
Total assets less current liabilities		1,507,047	1,419,148
Non-current liability			
Deferred tax liabilities	13	57,344	51,144
Net assets		1,449,703	1,368,004
Capital and reserves			
Share capital	18	9,876	9,876
Reserves		1,437,414	1,354,611
Equity attributable to owners of the Company		1,447,290	1,364,487
Non-controlling interests		2,413	3,517
Total equity		1,449,703	1,368,004

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Equity attributable to owners of the Company								
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share held under share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (restated)	10,009	126,441	2,627	298,011	(67,446)	810,738	1,180,380	–	1,180,380
Profit and total comprehensive income for the period	–	–	–	–	–	88,785	88,785	–	88,785
Dividend (note 10)	–	–	–	–	–	(34,076)	(34,076)	–	(34,076)
Purchase of shares under share award scheme (note 19(b))	–	–	–	–	(8,098)	–	(8,098)	–	(8,098)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	3,500	3,500
Share repurchased and cancelled	(133)	–	–	(40,472)	–	–	(40,605)	–	(40,605)
At 30 June 2018 (unaudited)	9,876	126,441	2,627	257,539	(75,544)	865,447	1,186,386	3,500	1,189,886
At 31 December 2018 (audited)	9,876	134,835	2,627	257,539	(45,021)	1,004,631	1,364,487	3,517	1,368,004
Profit and total comprehensive income for the period	–	–	–	–	–	100,947	100,947	(1,104)	99,843
Dividend (note 10)	–	–	–	–	–	(24,448)	(24,448)	–	(24,448)
Share award granted	–	–	–	–	6,304	–	6,304	–	6,304
At 30 June 2019 (unaudited)	9,876	134,835	2,627	257,539	(38,717)	1,081,130	1,447,290	2,413	1,449,703

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Net cash generated from operating activities	86,376	20,997
Investing activities:		
Purchase of property, plant and equipment	(2,050)	(1,827)
Proceeds on disposal of property, plant and equipment	22	—
Capital injection from non-controlling interests	—	3,500
Payment for the cost incurred of intangible assets	(92,918)	(87,080)
Withdrawal of pledged bank deposits	1,037	—
Placement of deposits with banks with original maturity date over three months	(30,000)	—
Net cash used in investing activities	(123,909)	(85,407)
Financing activities:		
Purchase of shares under share award scheme	—	(8,098)
Payment of repurchase of shares	—	(40,605)
New bank loan raised	20,000	50,000
Repayment of borrowings	(50,000)	—
Interest paid	(513)	(1,227)
Net cash (used in)/generated from financing activities	(30,513)	70
Net decrease in cash and cash equivalents	(68,046)	(64,340)
Cash and cash equivalents at beginning of the period	190,506	240,296
Effect of foreign exchange rate changes	(37)	(158)
Cash and cash equivalents at end of the period, represented by bank balances and cash	122,423	175,798

1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2013. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries (the Company and subsidiaries are collectively referred to as the "**Group**") in the People's Republic of China (the "**PRC**") are software development, system integration, sales of related computer products and provision of other related services.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new 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 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs for the current period

In the current interim period, the Group has applied, for the first time, following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	As part of the Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 Leases ("**IFRS 16**") for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease liabilities therefore recognised are included in "Other payables".

The lease payments are relevant to the Group include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments, if appropriate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Taxation implication

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the right-of-use assets and lease liabilities separately. Temporary differences relating to the right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has had no material impacts to the Group in the current period.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 — continued

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised right-of-use assets of RMB 14,308,000 at 1 January 2019.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	930
Less: Recognition exemption — short-term leases	400
Recognition exemption — low-value assets	530
Lease liabilities relating to operating leases recognised upon initial application of IFRS 16 and as at 1 January 2019	—

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 — continued

As a lessee — continued

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon initial application of IFRS 16		
Reclassified from lease prepayment for land use rights	(a)	14,308
By class:		
Leasehold lands		14,308

Note:

(a) Upfront payments for land use rights in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon initial application of IFRS 16, the current and non-current portions of prepaid lease payments amounting to RMB 360,000 and RMB 13,948,000 respectively were reclassified to right-of-use assets.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

The Group is organised into different business units by products, 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 four core product lines, namely export enterprise cloud-based software and services, low carbon & ecology software and related services, government big data software and related services and system integration solutions. These products form the basis on which the Group reports its segment information. During the period, the Group renames one product line namely tax software and related services to export enterprise cloud-based software and services in order to reflect a more appropriate nature of the related software and services in this product line. There is no change in comparative figures as a result of this change in names of product lines.

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

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Types of product or service and Segment revenue		
Government big data software and related services	180,432	154,633
Export enterprise cloud-based software and services	66,274	60,949
Low carbon & ecology software and related services	47,900	43,952
System integration solutions	24,678	27,010
Total revenue	319,284	286,544
Segment results		
Government big data software and related services	82,670	57,063
Export enterprise cloud-based software and services	55,653	54,198
Low carbon & ecology software and related services	25,644	28,624
System integration solutions	549	84
Total segment results	164,516	139,969
Other income and gains	2,586	3,181
Distribution and selling expenses	(22,777)	(20,741)
Administrative and general expenses	(23,617)	(21,291)
Finance costs	(513)	(1,227)
Other expenses and losses	(3,684)	(161)
Profit before taxation	116,511	99,730
Taxation	(16,668)	(10,945)
Profit and total comprehensive income for the period	99,843	88,785

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

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.

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

Whilst the sales of export enterprise cloud-based software and services are generally stable throughout the year, the sales of low carbon & ecology software and related services, government big data software and related services and system integration solutions 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest income	732	2,385
Government grants (Note 1)	747	611
Others (Note 2)	1,107	185
	2,586	3,181

Note 1: 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 2: For the six months ended 30 June 2019, others included compensation received of approximately RMB 630,000 from a copyright infringement legal action.

6. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Impairment on trade receivables	3,550	—
Net foreign exchange loss	37	158
Others	97	3
	3,684	161

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Depreciation of property, plant and equipment	3,701	3,682
Depreciation of right-of-use assets	180	—
Amortisation of lease prepayment for land use rights	—	180
Amortisation of intangible assets:		
— amortisation of capitalised software costs (included in cost of sales)	38,463	41,340
— amortisation of other software (included in research and development costs)	22,732	20,165
	65,076	65,367
Finance costs	513	1,227
Net foreign exchange loss	37	158
Cost of inventories recognised as an expense	86,303	85,937

8. TAXATION

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax ("**EIT**")	10,468	5,915
Under provision in prior years	—	74
Deferred tax charge:		
Current period	6,200	4,956
	16,668	10,945

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%. The latest 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 were entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019.

   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. Nanjing Skytech was considered to meet those requirements pursuant to the Company's announcement dated 20 September 2018, Nanjing Skytech was again recognised as Key Software Enterprise under the National Plan by relevant government authorities and continues to enjoy the 10% preferential corporate income tax rate. Therefore, Nanjing Skytech uses a preferential corporate income tax rate of 10% (six months ended 30 June 2018: 10%) for the current period.

2. Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("**Quan Shui Tong**") was formerly eligible for certain tax holidays and concessions and was exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Quan Shui Tong commenced its first profit-making year in the financial year ended 31 December 2014. The tax holidays and concessions for Quan Shui Tong ended after the year ended 31 December 2018. However, the Quan Shui Tong has obtained "High-tech Enterprise" certificates and is entitled to the preferential corporate income tax rate of 15% during the current period (six months ended 30 June 2018: 12.5%).

8. TAXATION — *continued*

Note: — continued

3. The applicable EIT rate for Zhenjiang Skyinformation, Jiangsu Skytech Investment Management Co., Limited, ("**Jiangsu Skytech Investment**"), Qingdao Skytech Software Co., Limited ("**Qingdao Skytech**"), Nanjing Aisita Real Estate Co., Limited ("**Nanjing Aisita**"), Jiangsu Jiantian Yonghua Data Services Co., Limited, Jiangsu Skytech Industrial Internet Co., Limited and Jiangsu Skytech Zumoo Co., Limited (formerly known as Jiangsu Supply Chain Big Data Information Services Platform Co., Limited) is 25% for the six months ended 30 June 2019 and 2018.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the unaudited profit for the six months ended 30 June 2019 of approximately RMB 100,947,000 (six months ended 30 June 2018: RMB 88,785,000) and 1,222,384,600 shares (six months ended 30 June 2018: 1,232,603,952 shares).

Dilutive earnings per share is the same as basic earnings per share as the Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2019 and 30 June 2018.

10. DIVIDENDS

During the six months ended 30 June 2019, a final dividend for the year ended 31 December 2018 amounting to RMB 0.02 (approximately HKD0.0227) per share was proposed by the Company's directors on 25 March 2019, and subsequently approved at the annual general meeting of the Company held on 18 June 2019. The directors did not recommend payment of an interim dividend for the six-month period ended 30 June 2019 (six-month period ended 30 June 2018: nil).

During the six months ended 30 June 2018, a final dividend for the year ended 31 December 2017 amounting to RMB 0.0278 (approximately HKD0.0341) per share was proposed by the Company's directors on 26 March 2018, and subsequently approved at the annual general meeting of the company held on 12 June 2018.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group incurred the additions of cost at approximately RMB 92,918,000 (six months ended 30 June 2018: RMB 87,080,000) which represented the capitalised software costs generated internally amounting to approximately RMB 53,244,000 (six months ended 30 June 2018: RMB 49,243,000) and other purchased software amounting to approximately RMB 39,674,000 (six months ended 30 June 2018: RMB 37,837,000) for the new software product development.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Financial assets measured at fair value through profit or loss:		
Unlisted equity securities	—	—

The balance represents 4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Limited 江蘇賽聯信息產業研究院股份有限公司 ("**Cyberunion**"), a private entity established in the PRC. As at 30 June 2019 and 31 December 2018, Cyberunion was under voluntary liquidation. The details of measurement and changes in fair value is described in Note 22.

13. DEFERRED TAXATION

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior periods:

	Allowance for doubtful receivables RMB'000	Withholding tax on undistributed profits RMB'000	Capitalised software costs RMB'000	Total RMB'000
At 1 January 2018 (audited)	545	(27,838)	(14,341)	(41,634)
Charge to profit or loss	—	(4,500)	(456)	(4,956)
Reversal upon payment of withholding tax	—	1,100	—	1,100
At 30 June 2018 (unaudited)	545	(31,238)	(14,797)	(45,490)
At 1 January 2019 (audited)	595	(35,038)	(16,701)	(51,144)
Credit/(charge) to profit or loss	355	(4,000)	(2,555)	(6,200)
At 30 June 2019 (unaudited)	950	(39,038)	(19,256)	(57,344)

13. DEFERRED TAXATION — *continued*

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 2019 and 31 December 2018, 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.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Trade receivables	1,148,629	1,009,928
Less: Allowance for doubtful debts	(9,509)	(5,959)
	1,139,120	1,003,969
Prepayments to suppliers	35,786	69,275
Prepayment to the trustee	1,022	1,018
Deposits	5,001	5,676
Deposits for court case (Note (a))	28,160	28,160
Value-added tax recoverable	786	2,553
Advances to employees	3,587	2,688
Lease prepayment for land use rights	—	360
Others	814	249
Total trade and other receivables	1,214,276	1,113,948

Note:

(a) As at 31 December 2018 and up to the end of this reporting date, an amount of RMB 28,160,000 was deposited to an escrow account of the Nanjing Intermediate People's Court in relation to the court case between Nanjing Skytech and Nanhua Skytech Technology Co., Ltd. For details, please refer to note 21.

14. TRADE AND OTHER RECEIVABLES — *continued*

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement 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 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 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
0 to 60 days	288,294	353,247
61 to 90 days	6,797	8,309
91 to 180 days	1,088	2,170
181 days to 365 days	326,702	188,576
Over 1 year but less than 2 years	352,346	295,021
Over 2 years	163,893	156,646
	1,139,120	1,003,969

15. IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	3,550	—

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

16. 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 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
0 to 90 days	117,014	94,301
91 to 180 days	10,354	623
181 days to 365 days	2,299	1,418
Over 1 year	3,124	3,491
	132,791	99,833

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

Note:

At 30 June 2019 and 31 December 2018, the Group's bills payable amounting to approximately RMB nil and RMB 2,600,000 respectively were secured by pledged bank deposits of the Group.

17. BORROWINGS

As at 30 June 2019, the Group obtained a new short-term bank loan amounting to RMB 20,000,000 (31 December 2018: RMB 50,000,000). The loan was secured by guarantee of Jiangsu Skytech, a subsidiary of the Company and land use rights and buildings of the Group with carrying amounts of approximately RMB 14,128,000 and RMB 89,386,000 respectively, interest bearing at one year Loan Prime Rate in the PRC plus 4 basis points (31 December 2018: interest bearing at one year Loan Prime Rate in the PRC plus 61.55 basis points) and is repayable within one year.

18. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	As at 30 June 2019		As at 31 December 2018	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
At 1 January 2019/2018 (audited)	1,222,385	9,876	1,238,710	10,009
Shares repurchased and cancelled	—	—	(16,325)	(133)
At 30 June 2019 (unaudited)/ 31 December 2018 (audited)	1,222,385	9,876	1,222,385	9,876

19. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

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

As at 30 June 2019 and 31 December 2018, no option has been granted under the Share Option Scheme since its adoption date.

(b) Share Award Scheme

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

During the year ended 31 December 2016 and 31 December 2017, 5,550,000 and 10,303,000 ordinary shares of the Company have been acquired by the Company through its trustee, ARK Trust (Hong Kong) Limited (the "**Trustee**"), at aggregate costs of approximately HKD13,700,000 (equivalent to approximately RMB 12,255,000) and HKD26,300,000 (equivalent to approximately RMB 23,396,000) (the "**First Contributed Amount**") respectively.

19. SHARE-BASED PAYMENT TRANSACTIONS — *continued*

(b) Share Award Scheme — *continued*

Pursuant to the Company's announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD50 million (equivalent to approximately RMB 44,131,000) for the purchase Company's ordinary shares through the Trustee to be awarded to the Eligible Participants as to be selected by the Board of Directors (the "**Second Contributed Amount**"). The Second Contributed Amount will be paid to the Trustee as and when required.

During the year ended 31 December 2017 and 31 December 2018, 15,577,000 and 4,226,000 ordinary shares of the Company have been acquired by the Company through its Trustee, at an aggregate cost of approximately HKD 37,398,000 (equivalent to approximately RMB 31,795,000) and HKD 9,999,000 (equivalent to approximately RMB 8,098,000) respectively.

For the year ended 31 December 2018, the Group has granted a total of 16,005,000 shares of the Company to 113 employees whom are Eligible Participants pursuant to the scheme at nil consideration on 22 August 2018. The value of approximately HKD 43,533,600 (equivalent to approximately RMB 36,827,000), taking into account of the average closing price of HKD 2.72 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant. As at 31 December 2018, 13,265,000 granted shares have been transferred to employees and the remaining 2,740,000 granted shares were transferred to employees in January 2019.

For the six months ended 30 June 2019, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to the Share Award Scheme.

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Short-term benefits	2,320	2,352
Retirement benefits scheme contributions	119	124
	2,439	2,476

21. CONTINGENT LIABILITIES

Nanjing Skytech has been involved in a series of disputes with Janful Limited ("**Janful**") over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful itself or through the joint venture company for claims against the Group, but most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Nanjing Intermediate People's Court rendered a first instance judgement, 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 first instance judgement. 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. According to the announcement dated 24 April 2019, the Nanjing Skytech has received a ruling of re-trial dated 8 April 2019 from the Supreme People's Court. Pursuant to the ruling of re-trial, the Supreme People's Court found that there was insufficient evidence to support the basic facts and there had been error in the application of law in the original judgment. In view of the foregoing, the Supreme People's Court ruled that execution of the original judgment shall be ceased and instructed the Higher Court to hold a re-trial for this case. The directors believe, based on legal advice, that the action (for the case in the Higher Court to hold a re-trial) can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 30 June 2019 and prior years.

Based on the aforesaid, the Company might still be liable for damages of approximately RMB 27,906,000 to Nanhua Skytech, however, the Group emphasises 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.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	30 June 2019	31 December 2018			
Unlisted equity investments	4% equity investment in the Cyberunion was valued at RMB nil	4% equity investment in the Cyberunion was valued at RMB nil	Level 3	Adjusted net asset value method	N/A

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 30 June 2019 because of their short-term maturities and was under voluntary liquidation.