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Suoxinda Holdings Limited

索信达控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3680)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS SUMMARY

Revenue for the Reporting Period amounted to approximately RMB129,512,000, representing an increase of approximately 48.7% as compared with the 1H2019. This was mainly due to the continued growth of the Group's core businesses with an increase of approximately 64.9% in revenue generating from data solutions business during the Reporting Period as compared with 1H2019.

Gross profit for the Reporting Period amounted to approximately RMB37,750,000, remained relatively stable as compared with 1H2019 (1H2019: approximately RMB37,187,000).

Net loss for the Reporting Period amounted to approximately RMB5,207,000, as compared with net profit of approximately RMB4,026,000 for 1H2019. The change was mainly due to (1) the delay in recognising revenue for certain projects under the impact of the outbreak of COVID-19 during the Reporting Period; and (2) increased investment in operation, marketing as well as research and development during the Reporting Period with aims to expand our market scale and improve the core technology competence of the Group.

Basic and diluted loss per Share for the Reporting Period amounted to approximately RMB1.30 cents (1H2019: Basic and diluted earnings per Share approximately RMB1.34 cents).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Suoxinda Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2019 (“**1H2019**”).

In this announcement, “we”, “us”, “our” and “Suoxinda” refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Note</i>	Six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenue	4	129,512	87,069
Cost of sales	5	<u>(91,762)</u>	<u>(49,882)</u>
Gross profit		37,750	37,187
Selling expenses	5	(8,654)	(6,349)
Administrative expenses	5	(23,260)	(18,368)
Research and development expenses	5	(13,822)	(8,134)
Other income		4,032	2,982
Other gains, net		<u>896</u>	<u>229</u>
Operating (loss)/profit		<u>(3,058)</u>	<u>7,547</u>
Finance income	6	318	95
Finance costs	6	<u>(2,045)</u>	<u>(2,653)</u>
Finance costs, net	6	(1,727)	(2,558)
Share of loss of an associate		<u>(237)</u>	<u>(179)</u>
(Loss)/profit before income tax		(5,022)	4,810
Income tax expenses	7	<u>(185)</u>	<u>(784)</u>
(Loss)/profit for the period attributable to owners of the Company		<u><u>(5,207)</u></u>	<u><u>4,026</u></u>
Other comprehensive income			
<i>Items that may be reclassified to profit:</i>			
— <i>Currency translation differences</i>		<u>1,451</u>	<u>561</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company, net of tax		<u><u>(3,756)</u></u>	<u><u>4,587</u></u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company:			
Basic and diluted (loss)/earnings per share (RMB cents)	8	<u><u>(1.30)</u></u>	<u><u>1.34</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property and equipment	<i>9</i>	18,886	17,178
Intangible assets	<i>9</i>	18,507	19,536
Right-of-use assets	<i>9</i>	8,209	5,651
Investment in an associate		202	440
Prepayments		47,271	40,884
Deferred tax asset		479	226
		<hr/> 93,554 <hr/>	<hr/> 83,915 <hr/>
Current assets			
Trade receivables	<i>11</i>	76,406	51,240
Contract assets	<i>12</i>	53,462	47,624
Prepayments		3,954	1,983
Other financial assets at amortised cost		4,191	3,956
Financial assets at fair value through profit or loss	<i>10</i>	28,083	—
Inventories		3	3
Pledged bank deposits		4,223	6,503
Cash and cash equivalents		70,032	178,452
		<hr/> 240,354 <hr/>	<hr/> 289,761 <hr/>
Total assets		<hr/> 333,908 <hr/>	<hr/> 373,676 <hr/>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		3,578	3,578
Other reserves		193,170	191,719
Retained earnings		9,056	14,263
		<hr/> 205,804 <hr/>	<hr/> 209,560 <hr/>
Total equity		<hr/> 205,804 <hr/>	<hr/> 209,560 <hr/>

		30 June	31 December
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	<i>15</i>	5,106	3,605
Other borrowings	<i>14</i>	2,742	6,438
		<u>7,848</u>	<u>10,043</u>
Current liabilities			
Trade payables	<i>13</i>	25,515	41,523
Accruals and other payables		15,325	29,591
Contract liabilities	<i>12</i>	924	12,789
Current income tax liabilities		6,178	7,967
Lease liabilities	<i>15</i>	2,753	1,791
Bank and other borrowings	<i>14</i>	69,561	60,412
		<u>120,256</u>	<u>154,073</u>
Total liabilities		<u>128,104</u>	<u>164,116</u>
Total equity and liabilities		<u>333,908</u>	<u>373,676</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Suoxinda Holdings Limited (the “**Company**”) is a limited company incorporated in the Cayman Islands on 6 December 2018 as an exempted company. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are engaged in provision of data solutions, sales of hardware and software and related services as an integrated service, and information technology (“**IT**”) maintenance and support services (the “**Listing Business**”).

Prior to the incorporation of the Company and the completion of the reorganisation (the “**Reorganisation**”), the Listing Business was mainly carried out by Shenzhen Suoxinda Data Technology Co. Ltd. (“**Suoxinda Shenzhen**”) and its subsidiaries (collectively the “**Operating Companies**”). Before the completion of the Reorganisation, the Operating Companies were controlled by Mr. SONG Hongtao (“**Mr. Song**”), who is the ultimate controlling shareholder of the Group. The Reorganisation has been completed on 25 February 2019 and since then, the Company became the holding company of the Operating Companies now comprising the Group.

The Company listed its shares on Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2019 (the “**Listing**”).

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (RMB’000).

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”.

The interim condensed consolidated financial information does not include all the notes normally included in the annual financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

Immediately prior to and after the Reorganisation, the Listing Business was held by the Operating Companies controlled by Mr. Song.

Pursuant to the Reorganisation, the Operating Companies are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. Accordingly, the Reorganisation has been accounted for as a recapitalisation of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group’s business under the Operating Companies. The interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows of the Group have been prepared as if the current group structure had been in existence as at 1 January 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to IFRS Standards 2018–2020	Annual Improvements to IFRS Standards 2018–2020	1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4 REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenue		
— Data solutions	85,121	51,620
— Sales of hardware and software and related services as an integrated service	27,849	17,703
— IT maintenance and support services	16,542	17,746
	<u>129,512</u>	<u>87,069</u>
Timing of revenue recognition		
— At a point in time	27,849	17,703
— Over time	101,663	69,366
	<u>129,512</u>	<u>87,069</u>

The chief operating decision-maker (“**CODM**”) has been identified as the directors of the Group. The directors of the Group regard the Group’s business as a single operating segment and review financial information accordingly. As the Group has only one operating segment qualified as reporting segment under IFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial information of the Group, no separate segmental analysis is presented in the interim condensed consolidated financial information.

The amounts provided to the directors of the Group with respect to total assets and total liabilities are measured in a manner consistent with that in the interim condensed consolidated statement of financial position.

The Group’s revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
The PRC	70,539	81,058
Hong Kong	58,973	6,011
	<u>129,512</u>	<u>87,069</u>

All the Group’s non-current assets are located in the PRC.

For the Group’s provision of data solutions and the sales of hardware and software and related services as an integrated service, contracts are for periods of one year or less. For the Group’s IT maintenance and support services, the Group bills the amount for each hour of service provided, and therefore, the Group uses “right to invoice” practical expedient to recognise revenue in the amount to which the Group has a right to invoice. As permitted under practical expedient of IFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Material costs	46,053	12,730
Employee benefit expenses (including directors’ emoluments)	46,097	30,414
Subcontracting service fee	21,864	16,370
Listing expenses	—	7,386
Entertainment and travelling expenses	1,071	1,605
Amortisation of intangible assets (<i>Note 9</i>)	2,791	2,477
Expenses related to short-term and low-value leases	1,656	1,349
Depreciation of right-of-use assets (<i>Note 9</i>)	1,571	1,099
Promotion expenses	2,619	1,878
Consulting service fee	2,599	—
Office expenses	1,728	1,237
Depreciation of property and equipment (<i>Note 9</i>)	1,256	906
Other taxes	301	342
Legal and professional fees	3,932	463
Provision for impairment of trade receivables (<i>Note 11</i>)	3,178	767
Provision for impairment of contract assets (<i>Note 12</i>)	69	—
Share-based compensation —non employee (<i>Note i</i>)	—	2,432
Others	713	1,278
	<hr/>	<hr/>
Total cost of sales, selling, administrative and research and development expenses	137,498	82,733
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) During the Reorganisation, one investor acquired 6% equity interests of a subsidiary of the Group in January 2019 for a cash consideration of approximately RMB4,167,000. The fair value of the equity interests issued as of the issuance date was above the cash consideration received by RMB2,432,000 and the difference was directly charged to the interim condensed consolidated statement of comprehensive income for the period ended 30 June 2019 given no vesting conditions existed.

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income		
— Interest income on bank deposits	318	95
Finance costs		
— Interest expense on bank and other borrowings	(1,813)	(2,502)
— Finance charges on lease liabilities	(232)	(151)
	<u>(2,045)</u>	<u>(2,653)</u>
Finance costs, net	<u>(1,727)</u>	<u>(2,558)</u>

7 INCOME TAX EXPENSES

The amount of income tax expenses recorded in the interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	(438)	(1,022)
Deferred income tax	253	238
Income tax expenses	<u>(185)</u>	<u>(784)</u>

The Company was incorporated in the Cayman Islands and under the current Cayman Islands tax regime, is not subject to income tax.

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for Suoxinda Shenzhen and Suoxinda (Beijing) Data Technology Co., Ltd. ("Suoxinda Beijing") was 15% for the six months ended 30 June 2020 (30 June 2019: 15%), as these companies were recognised by relevant PRC authorities as National High and New Technological Enterprise ("NHNTE") and were entitled to a preferential Enterprise Income Tax rate from 2017 to 2020 and 2018 to 2021 respectively. Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the period ended 30 June 2020 (30 June 2019: 16.5%).

8 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares issued during the respective periods. In determining the weighted average number of ordinary shares, 300,000,000 shares of the Company, which resulted from the issue and allotment of shares by the Company in connection with the Reorganisation, had been treated as if such shares were issued on 1 January 2019.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
(Loss)/profit attributable to owners of the Company <i>(RMB'000)</i>	<u>(5,207)</u>	<u>4,026</u>
Weighted average number of ordinary shares in issue <i>(Number of shares in thousand)</i>	<u>400,000</u>	<u>300,000</u>
Basic and diluted (loss)/earnings per share <i>(RMB cents)</i>	<u>(1.30)</u>	<u>1.34</u>

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. During the six months ended 30 June 2020, the Group has no potential dilutive ordinary shares (30 June 2019: Same).

9 PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Property and equipment <i>RMB\$'000</i>	Unaudited Intangible assets <i>RMB\$'000</i>	Right-of-use assets <i>RMB\$'000</i>
Six months ended 30 June 2020			
Net book value			
Opening amount as at 1 January 2020 (Audited)	17,178	19,536	5,651
Additions	2,964	1,762	4,129
Depreciation and amortisation	<u>(1,256)</u>	<u>(2,791)</u>	<u>(1,571)</u>
Closing amount as at 30 June 2020 (Unaudited)	<u>18,886</u>	<u>18,507</u>	<u>8,209</u>
Six months ended 30 June 2019			
Net book value			
Opening amount as at 1 January 2019 (Audited)	17,663	20,774	5,521
Additions	242	870	4,373
Depreciation and amortisation	(906)	(2,477)	(1,099)
Disposals	<u>(4)</u>	<u>—</u>	<u>(4,787)</u>
Closing amount as at 30 June 2019 (Unaudited)	<u>16,995</u>	<u>19,167</u>	<u>4,008</u>

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term investments		
— Debt instruments		
At 1 January	—	—
Additions	27,360	1,000
Fair value change	723	2
Disposal	—	(1,002)
	<u>28,083</u>	<u>—</u>

11 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	82,378	54,034
Less: provision for trade receivables	(5,972)	(2,794)
	<u>76,406</u>	<u>51,240</u>

As at 30 June 2020, trade receivables of the Group of approximately RMB15,489,000 have been pledged to certain bank borrowings of the Group (31 December 2019: RMB9,404,000) (Note 14(a)).

Movements on the Group's allowance for impairment of trade receivables are as follows:

	30 June	30 June
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At the beginning of the period	(2,794)	(621)
Provision for doubtful receivables	(3,178)	(767)
	<u>(5,972)</u>	<u>(1,388)</u>

- (a) The Group allows a credit period of up to 60 days to its customers. The aging analysis of trade receivables based on invoice date is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Up to 3 months	57,165	47,693
3 to 6 months	16,259	3,979
6 months to 1 year	6,701	2,289
Over 1 year	2,253	73
	<u>82,378</u>	<u>54,034</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses below also incorporate forward looking information. Financial assets are written off when there is no reasonable expectation of recovery.

The loss allowance provisions as of 31 December 2019 and 30 June 2020 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	Over 1 year past due	Total
31 December 2019:						
Expected loss rate	1%	5%	10%	25%	100%	
Gross carrying amount (in thousand)	26,231	17,344	7,547	2,634	278	54,034
Loss allowance provision (in thousand)	262	867	728	659	278	2,794
Net carrying amount (in thousand) (Audited)	25,969	16,477	6,819	1,975	—	51,240
30 June 2020:						
Expected loss rate	1%	5%	10%	25%	100%	
Gross carrying amount (in thousand)	41,697	10,569	18,800	10,888	424	82,378
Loss allowance provision (in thousand)	417	528	1,880	2,723	424	5,972
Net carrying amount (in thousand) (Unaudited)	41,280	10,041	16,920	8,165	—	76,406

Expected credit losses rates were determined based on the cash collection performance for customers with respect to the credit terms granted to each customer and also taking into account the forward looking information. The cash collection patterns are affected by a number of factors including but not limited to the change in customer portfolios of the Group, the effort of cash collection from the customers, the timing of settlement processes by customers of the Group etc.

12 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contract assets	57,056	51,149
Less: provision for contract assets	<u>(3,594)</u>	<u>(3,525)</u>
	<u>53,462</u>	<u>47,624</u>
Contract liabilities	<u>(924)</u>	<u>(12,789)</u>

Movements on the Group's allowance for impairment of contract assets are as follows:

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Audited)
At the beginning of the period	(3,525)	—
Provision for doubtful receivables	<u>(69)</u>	<u>—</u>
At the end of the period	<u>(3,594)</u>	<u>—</u>

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

The contract assets relate to unbilled work in progress. Except for an individual customer with contract asset amounted to RMB3,051,000 (30 June 2019: Nil) has been fully provided in view of increase in credit risk, the remaining balances substantially have the same risk characteristics as the trade receivables. As at 30 June 2020, the Group has recognised impairment on contract assets of RMB3,594,000 (30 June 2019: Nil).

13 TRADE PAYABLES

Trade payables analysis is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	<u>25,515</u>	<u>41,523</u>

The aging analysis of the trade payables based on invoice dates is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	21,762	40,698
31 to 60 days	112	147
61 to 90 days	116	631
Over 90 days	<u>3,525</u>	<u>47</u>
	<u>25,515</u>	<u>41,523</u>

14 BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current		
Other borrowings (Note (b))	<u>2,742</u>	<u>6,438</u>
	<u>2,742</u>	<u>6,438</u>
Current		
Bank borrowings (Note (a))	61,278	51,390
Other borrowings (Note (b))	<u>8,283</u>	<u>9,022</u>
	<u>69,561</u>	<u>60,412</u>
Total	<u>72,303</u>	<u>66,850</u>

(a) Bank borrowings

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Interest-bearing bank borrowings	<u>61,278</u>	<u>51,390</u>

The bank loans due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	<u>61,278</u>	<u>51,390</u>

The carrying amounts of the bank borrowings approximate their fair values and are denominated in RMB.

The weighted average interest rate is 5.4% per annum for the period ended 30 June 2020 (31 December 2019: 5.9%).

As at 30 June 2020, the Group had aggregate banking facilities of RMB85,000,000 (31 December 2019: RMB61,474,000) with new bank facilities of RMB30,000,000 entered during the six months ended 30 June 2020. Unused facilities as at the same date amounted to RMB23,722,000 (31 December 2019: RMB10,084,000). The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from an independent third party of RMB10,000,000 as at 30 June 2020 (31 December 2019: RMB8,000,000);
- (ii) buildings of the Group of approximately RMB11,936,000 as at 30 June 2020 (31 December 2019: RMB12,299,000);
- (iii) pledged bank deposits of approximately RMB4,223,000 held at bank as at 30 June 2020 (31 December 2019: RMB6,503,000);
- (iv) trade receivables of the Group of approximately RMB15,489,000 as at 30 June 2020 (31 December 2019: RMB9,404,000) (Note 11); and
- (v) other deposits of the Group of RMB1,000,000 as at 30 June 2020 (31 December 2019: RMB800,000).

(b) Other borrowings

The loan due for repayment, based on the scheduled repayment dates set out in the loan agreements, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	8,283	9,022
One to two years	2,742	6,438
	11,025	15,460
Less: portion classified as current liabilities	(8,283)	(9,022)
	2,742	6,438

The Group entered into loan agreements dated 11 March 2019 and 7 December 2019 with an independent third party at a principal amount of RMB7,700,000 and RMB10,500,000. The loans bear interest at 8.1% and 5.7% per annum respectively and are denominated in RMB. The loans are repayable in equal monthly instalments and will be settled on 29 March 2021 and 26 December 2021. As at 30 June 2020, the loans are secured by:

- (i) other deposits of RMB1,200,000 (31 December 2019: Same); and
- (ii) certain equipment of the Group of approximately RMB2,691,000 (31 December 2019: RMB3,258,000).

The carrying amounts of other borrowings approximate their fair values as at 30 June 2020 and 31 December 2019.

15 LEASE LIABILITIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	3,150	2,079
One to two years	3,637	2,567
Two to five years	1,703	1,214
Over five years	—	—
	<hr/>	<hr/>
Total lease payments	8,490	5,860
Less: future finance charges	(631)	(464)
	<hr/>	<hr/>
Total lease liabilities	7,859	5,396
Less: portion classified as current liabilities	(2,753)	(1,791)
	<hr/>	<hr/>
	5,106	3,605
	<hr/> <hr/>	<hr/> <hr/>

The Group leases various office premises under lease agreements. The lease liabilities are denominated in RMB. No arrangement has been entered into for variable lease payments.

The Group's expenses related to short-term and low-value leases of RMB1,656,000 for the period ended 30 June 2020 (30 June 2019: RMB1,349,000) have been recognised in the consolidated statement of comprehensive income.

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses for the period ended 30 June 2020 is RMB1,902,000 (30 June 2019: RMB1,186,000).

16 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2020 (30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

At the end of 2019, the outbreak of the coronavirus disease 2019 (“**COVID-19**”) has accelerated the digital transformation of banking industry, which has increasingly shifted from offline to online operation. We promote the development of “contact-less banking” through artificial intelligence (“**AI**”) and big data technologies. To expand our market coverage, we will strive to increase our investment in research and development as well as marketing, thus enabling fintech to turn into productivity, which in return allows more small and micro businesses and individual retailers to enjoy better financial services. Despite the impact of the COVID-19 pandemic, our Group has recorded fast growth in revenue and customer base, as a result of our team expansion, new business development as well as leveraging on our previous business foundation. For the Reporting Period, our Group’s overall revenue increased by approximately 48.7% compared to 1H2019, among which, revenue from data solutions business increased by approximately 64.9% compared to 1H2019.

Anchoring in Southern China, Northern China and Eastern China

During the Reporting Period, our Group has achieved almost 100% repurchase rate among financial clients in Southern China. In the Northern China region, we have cooperated with leading banks in intelligent marketing, striving to connect across marketing consulting, marketing operations, data analytics and mining, marketing systems and basic data platforms. Our Group has established a team in Eastern China focusing on expanding business targeting financial institution customers in the Eastern China region leveraging our accumulated solutions through our project experience.

Combining our accumulated expertise in precision marketing and industry experienced talent team, we expanded our precision marketing solutions from the banking sector to securities firms, and co-operated with a large-scale national securities company, Guosen Securities in the Reporting Period. We made breakthrough in terms of our data solution, which established a milestone in our expansion of the securities industry markets, and created a benchmark and replicable case for the market segment of securities industry. At the same time, we also became a partner of China CITIC Bank credit card centre, which enabled us to develop Intelligent marketing products from retail banking business to the market segment of bank credit card, thus further expanding our market coverage and benchmark cases in niche market segments.

Iterating and upgrading our products to expand to city commercial banks and the securities markets

During the Reporting Period, we continued to increase investment in product research and development with a focus on the iteration and upgrade of our Suoxinda Lingxi Intelligent Marketing Platform (“**Suoxinda Lingxi**”), such as the release of a new generation of product with functions of tag management, user portrait and Cloud of products. The new version greatly improved product performance and supported more data inputs to meet customers’ diversified demands.

We successfully entered into a contract with Guosen Securities with respect to Suoxinda Lingxi in the Reporting Period. Leveraging our experience in the banking industry and utilising AI technology, we assist Guosen Securities in realising digital transformation of securities business, which is a benchmark case of digital transformation of securities companies, bringing positive impacts on the securities industry, and marked a milestone. In addition, Suoxinda Lingxi has also been applied in the credit card business. Customers chose Suoxinda Lingxi to further upgrade their self-established marketing platform, in testament to Suoxinda Lingxi’s ability to meet the needs of financial customers such as banks for digital transformation in the next three to five years, enabling them to significantly improve the efficiency of customer service. Meanwhile, Suoxinda Lingxi also expanded to city commercial banks to accelerate their digital transformation.

Technological development and intellectual property rights accumulation

Our financial AI laboratory completed the research report on interpretable machine learning, which fully explained the breakthrough progress made by Suoxinda in machine learning and further upgraded our technical capabilities. Meanwhile, we applied for 11 patents during the Reporting Period. We obtained 11 new software copyright certificates.

Strengthening Team Building and Expanding Talent Pool

Despite the COVID-19 pandemic, we have strong confidence and determination for the future opportunities and strategic development of our business. While most of the IT peers froze or even reduced their headcount in the face of challenges brought by the pandemic, we insisted on “Advance Deployment”, pro-actively recruiting key talents, with nearly 100 new employees hired in the Reporting Period. Our talent pool expanded rapidly, especially achieved a significant increase in the number of advanced AI talents and experts.

Our Group insists on people-oriented principle and offers a more competitive remuneration system and comprehensive employee welfare plan with reference to the relevant market data after making comparison and investigation so as to provide more guarantees for our employees. Our Group has established ranking system, based on which, we build corresponding performance management system, salary and welfare system, as well as the issued equity incentive plan with the aim to create a high-efficient organisation with consistent values, efficient collaboration, and long-term win-win results, so as to reshape and upgrade the corporate cultural values.

OUTLOOK

As a result of the COVID-19 pandemic, most on-site services for financial institution customers have been affected and a large number of users were in urgent needs for products and services through online channels, which resulted in a surge of online financial services. This is the best opportunity to promote digitalisation of banks and other financial institutions. The pandemic has prompted many financial institutions to further understand the value of financial technology and provides a clear direction for the financial technologies that can provide customers with the best value in the future. The value of AI technology has been emphasised, which will help financial institutions to achieve electronic business process and online automated service capabilities in a higher degree, including AI customer service, robo-advisors, remote face recognition, online account opening and transactions processing for investment in insurance products, etc. In this regard, the financial service industry can play an important role in supporting social and economic development, people's livelihood and medical care, government affairs, taxation and trade in special circumstances.

In the second half of 2020, we will actively expand our market share in the financial industry by extending our business coverage to securities companies and insurance business segments, and accumulate solutions such as regulatory reporting and user behaviour analysis through our project cases. In addition, our Group will continue to expand the content of cooperation with our existing partners and explore more cooperation opportunities with state-owned banks, joint-stock banks, city commercial banks and rural commercial banks. In particular, following our success in obtaining a key project in the securities market in the Reporting Period, our Group will work with the partners such as cloud platform providers to promote business in the securities market.

Suoxinda and Huawei Cloud have joined forces in launching Suoxinda's customer micro-segmentation model on ModelArts. This model is the first financial marketing model launched on ModelArts. It can innovatively transform structured data into images by collecting and analysing bank data, and then perform deep learning on the images, using deep neural networks to discover more relevant underlying features, while fitting more complex relationships, so as to achieve the purpose of micro-segmentation of customers.

Through data visualisation, we help banks in building more accurate user models, thus assisting them to achieve a breakthrough in the value of data. The technological innovation brought about by this cooperation with Huawei Cloud has integrated the powerful development ecology of Huawei Cloud and the smarter data algorithm of Suoxinda, which lays a foundation for the financial technology industry to explore the connection points among big data, AI and the financial industry in the future, and allows data transformation of the financial industry to become more efficient.

In the future, we plan to continue to expand our service coverage, including the establishment of a branch in Chengdu and the expansion of our team in Southwest China. Moreover, we have also established branches in Xiamen and Suzhou to seize the development opportunities in emerging markets. In addition, we will actively expand and set up fintech research institutes in target cities to carry out industry-research cooperation, and further enhance the technological strengths of our Group.

We will actively expedite the development of new products. On the one hand, we will launch products that are fully built on the advanced applications of our financial AI laboratory in the areas of interpretable machine learning and automated machine learning, including model translator and model automata. On the other hand, we will develop a series of AI big data analysis products by utilising our project accumulation in cooperation with leading banks, including model factory products, model monitoring platform (using AI algorithms to help customers continuously monitor the performance and effect of models), as well as the feature engineering platform and behaviour analysis platform. Furthermore, we will continue to invest in research and development talents, actively cooperate with colleges and universities, expand the number of campus recruitment, and promote the construction of the dynamic culture.

FINANCIAL REVIEW

1. Revenue

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
— Data solutions	85,121	51,620
— Sales of hardware and software and related services as an integrated service	27,849	17,703
— IT maintenance and support services	16,542	17,746
	<u>129,512</u>	<u>87,069</u>

For the Reporting Period, we recorded revenue of approximately RMB129,512,000, representing an increase of approximately 48.7% or approximately RMB42,443,000 as compared with 1H2019. The increase in revenue was mainly due to the continued growth of the Group's core businesses with an increase of approximately 64.9% in revenue generating from data solutions business during the Reporting Period as compared with 1H2019.

Revenue from data solutions was approximately RMB85,121,000, representing an increase of approximately 64.9% or approximately RMB33,501,000 as compared to 1H2019. The increase was mainly due to the provision of data infrastructure services to a major customer for the Reporting Period, the end user of which was a financial institution.

Revenue from sales of hardware and software and related services as an integrated service was approximately RMB27,849,000, representing an increase of approximately 57.3% or approximately RMB10,146,000 as compared to 1H2019.

Revenue from IT maintenance and support services was approximately RMB16,542,000, remained relatively stable as compared to 1H2019.

2. Gross profit and gross profit margin

For the Reporting Period, we recorded a gross profit of approximately RMB37,750,000, remained relatively stable as compared to 1H2019 (1H2019: approximately RMB37,187,000).

The gross profit margin was approximately 29.1% (1H2019: approximately 42.7%).

The main reasons for the lower gross profit margin include: (1) we delayed the delivery of certain self-developed products with high gross profit margin to the second half of 2020 due to the outbreak of COVID-19; (2) for the Reporting Period, the overall gross profit margin was impacted by a low margin project that provides data infrastructure services to a major customer of the Group. The gross profit margin of this project was approximately 19.4%, and excluding the impact of this project, the overall gross profit margin for the Reporting Period was approximately 34.1%, while the overall gross profit margin for 1H2019 was approximately 35.5%. Excluding the impact of project with low profit margin, the gross profit margin remained relatively stable as compared to 1H2019.

3. Selling expenses

For the Reporting Period, we recorded an increase of approximately 36.3% or approximately RMB2,305,000 in selling expenses as compared to 1H2019. Selling expenses accounted for approximately 6.7% of our revenue for the Reporting Period, almost the same as 1H2019. The increase in selling expenses was mainly due to the increase in labour costs by approximately RMB2,145,000 as a result of the recruitment of several senior sales and marketing personnel during the Reporting Period to enhance the Group's marketing capabilities.

4. Research and development expenses

For the Reporting Period, we recorded an increase of approximately 69.9% or approximately RMB5,688,000 in research and development expenses over 1H2019. Such expenses accounting for approximately 10.7% of our revenue (1H2019: accounting for approximately 9.3% of our revenue). The increase in research and development expenses was mainly attributable to the Group's continuous recruitment of sophisticated and skilful technicians to expand our research and development team during the Reporting Period. The employee benefit expenses of research and development team increased by approximately RMB4,445,000 over 1H2019.

5. Administrative expenses

For the Reporting Period, we recorded an increase of approximately 26.6% or approximately RMB4,892,000 in administrative expenses over 1H2019. Excluding the listing expenses of approximately RMB7,386,000 and share-based payment of approximately RMB2,430,000 in 2019, the administrative expenses increased by approximately 170.9% or approximately RMB14,708,000 over 1H2019. The increase in administrative expenses was mainly because: (1) office rent increased by approximately RMB1,958,000; (2) provision for impairment of trade receivables and contract assets increased by approximately RMB2,480,000; (3) employee benefit expenses for administrative employees increased by approximately RMB5,840,000; and (4) consulting service fee expenses increased by approximately RMB2,430,000.

6. Income tax expenses

For the Reporting Period, our total income tax expenses amounted to approximately RMB185,000, representing a decrease of approximately RMB599,000 as compared with 1H2019. The decrease in income tax expenses was mainly due to the decrease in the profit before tax for the Reporting Period.

7. Loss for the period

For the Reporting Period, we recorded a net loss of approximately RMB5,207,000, as compared with net profit of approximately RMB4,026,000 for 1H2019. The change was mainly attributable to: (1) during the Reporting Period, revenue recognition for certain projects were delayed as a result of the impact of the COVID-19 outbreak; and (2) during the Reporting Period, we increased investment in operation, marketing and research and development in order to increase the Group's market share and strengthen the competitiveness of the Group's core technology.

8. Loss for the period attributable to owners of our Company

The loss for the Reporting Period attributable to owners of our Company was approximately RMB5,207,000 (1H2019: profit of approximately RMB4,026,000). The change was mainly attributable to: (1) during the Reporting Period, revenue recognition for certain projects were delayed as a result of the impact of the COVID-19 outbreak; and (2) during the Reporting Period, we increased investment in operation, marketing and research and development in order to increase the Group's market share and strengthen the competitiveness of the Group's core technology.

9. Loss per share

Basic and diluted loss per share of the Company (the "Share(s)") for the Reporting Period amounted to approximately RMB1.30 cents. Basic and diluted earnings per Share for 1H2019 amounted to approximately RMB1.34 cents.

10. Liquidity and financial resources

The following table provides an overview of our Group's cash flow for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash outflows to operating activities	79,248	22,362
Net cash outflows to investing activities	33,228	8,853
Net cash inflows from financing activities	<u>4,018</u>	<u>11,507</u>

A. Operating activities

The net cash used in operating activities for the Reporting Period was approximately RMB79,248,000, representing an increase of approximately RMB56,886,000 as compared with 1H2019. The increase in net cash used in operating activities was mainly due to: (1) less payments were collected for the Reporting Period as a result of the impact of the COVID-19 outbreak; and (2) increased spending in operation, marketing and research and development during the Reporting Period with an aim to expand our market share and improve the competitiveness of the Group's core technology which resulted in more related expenses.

B. Investing activities

The net cash used in investing activities by our Group for the Reporting Period was approximately RMB33,228,000, representing an increase of approximately RMB24,375,000 as compared with 1H2019. The increase was due to the fixed income products investment conducted by the Group during the Reporting Period for the purpose of increasing the rate of return of its funds that have no immediate use.

C. Financing activities

The net cash generated from financing activities of our Group for the Reporting Period was approximately RMB4,018,000, as compared with the net cash generated from financing activities of approximately RMB11,507,000 for 1H2019, mainly because there were no other borrowings during the Reporting Period while other borrowings of RMB7,700,000 were drawn down in 1H2019.

11. Capital structure

Bank and other borrowings

As at 30 June 2020, we have short-term fixed rate bank borrowings of approximately RMB61,278,000, short-term other borrowings of approximately RMB8,283,000 and long-term fixed rate other borrowings of approximately RMB2,742,000.

Debt securities

As at 30 June 2020, our Group had no debt securities.

Contingent liabilities

As at 30 June 2020, our Group had no major contingent liabilities or guarantees.

Treasury policy

Our Group has adopted a prudent financial management approach towards our treasury policy. Our Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities, and other commitments can meet our funding requirements all the time.

Gearing ratio

The gearing ratios as at 30 June 2020 and 31 December 2019 were approximately 35.1% and 31.9% respectively. The increase of gearing ratio was mainly due to increase of approximately RMB5,453,000 or approximately 8.2% in bank and other borrowings at the end of the Reporting Period compared to the beginning of the Reporting Period.

Gearing ratio was calculated based on our total bank and other borrowings as at the end of the year/period divided by our total equity as at the same date.

12. Pledge of assets

As at 30 June 2020, our Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from an independent third party of RMB10,000,000 (31 December 2019: RMB8,000,000);
- (ii) buildings of approximately RMB11,936,000 (31 December 2019: approximately RMB12,299,000);
- (iii) pledged bank deposits of approximately RMB4,223,000 (31 December 2019: approximately RMB6,503,000);
- (iv) trade receivables of approximately RMB15,489,000 (31 December 2019: approximately RMB9,404,000); and
- (v) other deposits of RMB1,000,000 (31 December 2019: approximately RMB800,000).

As at 30 June 2020, our Group's other borrowings are secured by:

- (i) other deposits of RMB1,200,000 (31 December 2019: approximately RMB1,200,000); and
- (ii) certain equipment of approximately RMB2,691,000 (31 December 2019: approximately RMB3,258,000).

13. Capital Commitments

The Group has certain capital commitments relating to the acquisition of the Haina Property in Shenzhen. The following table sets forth our capital commitments as at the date indicated:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Property		
— Contracted but not provided for	<u>21,960</u>	<u>21,960</u>

14. Significant investment, material acquisitions and disposal of subsidiaries, associated companies and joint ventures

There were no significant investments or material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

15. Foreign exchange risk

The sales of the Group were mainly settled in RMB, USD and HKD. Operating expenses and purchases were mainly settled in RMB, while some expenses were settled in USD and HKD. As at 30 June 2020, the proceeds received from the Share Offer were denominated in HKD. Therefore, the foreign exchange risk assumed by the Group primarily arises from movements in the HKD and RMB exchange rates. During the Reporting Period, we did not experience any significant difficulties in or impacts on our operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB could vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The Group implemented an effective management policy to monitor closely changes in foreign exchange rates and review regularly foreign exchange risks. The Group will consider hedging significant foreign currency exposure when necessary.

16. Future plans for material investments or capital assets

As disclosed in the prospectus of our Company dated 28 November 2019, the Group has entered into agreements with an independent third party to purchase Haina Property at a consideration of RMB62.0 million. The Haina Property has a gross floor area of 3,098 sq.m. As at 30 June 2020, we have paid RMB40.0 million with respect to the acquisition of Haina Property and the remaining amount of RMB22.0 million has been previously scheduled to be settled in the Reporting Period. However, as agreed between us and the seller, payment of the remaining consideration will be delayed as certain conditions precedent for the completion has not been fulfilled, including passing the Energy Conservation Examination of Fixed-Asset Investment Projects* (固定資產投資項目節能審查). We are cooperating with the seller in carrying out the relevant procedures.

17. Employee and remuneration policy

The Group totally had 522 employees in Mainland China and Hong Kong, China as at 30 June 2020. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC.

* *for identification purpose only*

The Directors and senior management of the Group receive compensation in the form of salaries, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

The Group has neither experienced any significant problems with its employees or disruption to the Group's operations due to labour disputes, nor has experienced any difficulties in the recruitment and retention of experienced staff.

OTHER INFORMATION

Equity Incentive Plan

A share option scheme (the “**Share Option Scheme**”) and a share award scheme (the “**Share Award Scheme**”) were adopted at the annual general meeting of the Company held on 8 June 2020. The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The purposes of the Share Option Scheme and the Share Award Scheme are to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

As at 30 June 2020, no share option had been granted or agreed to be granted pursuant to the Share Option Scheme, and thus no options had been exercised, cancelled or lapsed under the Share Option Scheme. As a result, the total number of Shares available for issue under the Share Option Scheme was 40,000,000 Shares, representing 10% of the total Shares in issue as at the date of this announcement.

The Share Award Scheme is administrated by the Board. As at 30 June 2020, no Shares had been awarded or agreed to be awarded pursuant to the Share Award Scheme. As a result, the total number of Shares available for grant under the Share Award Scheme was 20,000,000 Shares, representing 5% of the total Shares in issue as at the date of this announcement. No trustee has been appointed as at the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Use of Proceeds from the Share Offer

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2019 by way of share offer (the “**Share Offer**”). The Company offered 100,000,000 Shares at an offer price of HKD1.50 per Share. According to the Company’s annual report for the year ended 31 December 2019 dated 27 April 2020, the actual net proceeds of the Share Offer was approximately HKD104.0 million after deduction of listing expenses (the “**Net Proceeds**”). Set out below are the status of the use of Net Proceeds from the Share Offer:

Intended use of the Net Proceeds	Allocation percentage	Allocation of the Net Proceeds (HKD million)	Utilised Net Proceeds as at 30 June 2020 (HKD million)	Net Proceeds to be utilised for the six months ending 31 December 2020	Net Proceeds to be utilised for the year ending 31 December 2021
				(HKD million)	(HKD million)
Strengthening and expansion of the Group’s data solution offerings through continuously attracting and retaining high quality personnel and offering attractive compensation packages to retain the Group’s employees	20%	20.8	15.7	1.1	4.0
Enhancement of the Group’s sales and marketing efforts including corporate branding activities	20%	20.8	2.8	7.2	10.8
Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen	35%	36.4	2.9	14.9	18.6
Potential strategic acquisition to supplement the Group’s organic growth	15%	15.6	—	8.3	7.3
Working capital and other general corporate purposes	10%	10.4	10.4	—	—
Total	100%	104.0	31.8	31.5	40.7

The Group utilised approximately HKD15.7 million of the Net Proceeds during the Reporting Period, and expects to utilise approximately HKD1.1 million of the Net Proceeds for the six months ending 31 December 2020, on the strengthening and expansion of the Group’s data solution offerings through continuously attracting and retaining high-quality personnel and offering attractive compensation packages to retain the Group’s employees, which is in excess to the amount of HKD10.0 million originally allocated for the year ending 31 December 2020. It is because the Group has accelerated its investment in product research and development by recruiting sophisticated and skillful technicians. In particular, during the Reporting Period, we released a new generation of Suoxinda Lingxi with new functions of tag management, user profile and cloud services. The Directors believe that such acceleration in the utilisation of the Net Proceeds is necessary to expand the Group’s market share and improve the competitiveness of its core technology.

Compliance with the Corporate Governance Code

The Board is committed to achieving good corporate governance standards, and believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company had complied with all the code provisions set out in the CG Code during the Reporting Period.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ dealing in the Company’s securities. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the standard of dealings in the Company’s securities by the relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Reporting Period (1H2019: Nil).

Events After the Reporting Period

Disposal of Shares by Controlling Shareholder

On 20 July 2020, Mindas Touch Global Limited, one of the controlling shareholders of the Company, disposed of (i) an aggregate of 36,000,000 Shares to Benefit Ocean Holdings Limited (“**Benefit Ocean**”), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Xia Liping (“**Ms. Xia**”); and (ii) an aggregate of 5,000,000 Shares to its sole shareholder, Mr. Song Hongtao (the “**Disposal**”). Following the completion of the Disposal, Mindas Touch Global Limited and Mr. Song Hongtao were interested/were deemed to be interested in 38.77% and 40.02% of the Company’s issued share capital, respectively; while Benefit Ocean and Ms. Xia were interested/were deemed to be interested in 10.39% of the Company’s issued share capital. Please refer to the

Company's announcement published on 20 July 2020 for the details of the Disposal. Saved as disclosed above, there are no other material events of the Group after the Reporting Period up to the date of this announcement.

Sufficient Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float for the issued Shares (i.e. at least 25% of the issued Shares being held by the public) as required under the Listing Rules since the Listing Date and up to the date of this announcement.

Audit Committee and Review of Financial Information

The audit committee of the Company (the “**Audit Committee**”, comprising the existing independent non-executive Directors, namely Mr. Tu Xinchun, Ms. Zhang Yahan and Dr. Qiao Zhonghua) has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period. The Audit Committee has also discussed with senior management members matters relating to the accounting policies and practices adopted by the Company that the unaudited interim condensed consolidated financial information of the Group have been prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made, and fairly present the financial position and performance of the Group during the Reporting Period.

The interim condensed consolidated financial information of the Group for the Reporting Period have not been audited by the Company's auditor.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.datamargin.com). The interim report of the Company for Reporting Period containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Suoxinda Holdings Limited
SONG Hongtao
Chairman of the Board

Hong Kong, 25 August 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Song Hongtao, Mr. Wu Xiaohua, Mr. Lam Chun Hung Stanley and Ms. Wang Jing; and three independent non-executive Directors, namely Mr. Tu Xinchun, Ms. Zhang Yahan and Dr. Qiao Zhonghua.