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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL SUMMARY

Revenue for the Reporting Period amounted to approximately RMB330,290,000, representing an increase of approximately 28.1% or approximately RMB72,375,000 as compared with 2019. Such increase in revenue was mainly due to (i) steady growth of our Group's business in southern China, which recorded an increase in revenue of approximately 32.6% or approximately RMB50,923,000 as compared with 2019; and (ii) a major breakthrough in business development in eastern China was achieved by our Group in the Reporting Period, resulting in an increase of approximately 67.9% or RMB13,324,000 in revenue generated from customers in eastern China as compared with 2019.

Gross profit for the Reporting Period amounted to approximately RMB117,592,000, representing an increase of approximately 28.4% as compared with 2019. Such increase of gross profit was mainly due to steady growth of our business. Gross margin for the Reporting Period remained relatively stable at approximately 35.6% (2019: 35.5%).

Net loss for the Reporting Period amounted to approximately RMB12,712,000 (2019: net profit of RMB4,124,000). Such change was mainly due to :

1. the continuous recruitment of senior and skilled R&D technicians by our Group to expand our research and development team. The number of R&D technicians increased from 47 in 2019 to 145 in the Reporting Period, resulting in an increase of approximately RMB18,560,000 in staff costs of R&D team over 2019;
2. our Group's business expansion in southern China, northern China and eastern China, resulted in (1) the number of sales and pre-sales staff increased from 27 in 2019 to 51 in the Reporting Period, resulting in an increase of approximately RMB7,309,000 in marketing staff cost over 2019; and (2) an increase of approximately RMB14,949,000 in management staff cost over 2019; and
3. expected credit losses on financial and contract assets of RMB15,598,000.

Basic and diluted loss per share for the Reporting Period amounted to RMB3.3 cents (2019: earnings per share of RMB1.4 cents), which was mainly due to the net loss for the Reporting Period.

Reference is made to the announcement of Suoxinda Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 April 2021 in relation to the preliminary unaudited annual results of our Group (the “**Unaudited Annual Results**”) for the year ended 31 December 2020 (the “**Reporting Period**”).

The board (the “**Board**”) of directors (the “**Directors**”) of our Company announces the audited consolidated results of our Group for the Reporting Period (the “**Audited Annual Results**”), together with the comparative figures for the year ended 31 December 2019. As certain adjustments have been made to the Unaudited Annual Results, the differences between the Unaudited Annual Results and the Audited Annual Results contained in this announcement are set out in the section headed “Material differences between Unaudited Annual Results and Audited Annual Results” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	330,290	257,915
Cost of sales	4	(212,698)	(166,321)
Gross profit		117,592	91,594
Selling expenses	4	(24,798)	(12,738)
Administrative expenses	4	(56,279)	(48,326)
Research and development expenses	4	(42,152)	(17,500)
Expected credit losses on financial and contract assets		(15,598)	(5,698)
Other income		13,247	6,040
Other gains, net		433	1,165
Operating (loss)/profit		(7,555)	14,537
Finance income	5	513	234
Finance costs	5	(4,763)	(4,296)
Finance costs, net	5	(4,250)	(4,062)
Share of (losses)/profits of associates		(101)	40

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/profit before income tax		(11,906)	10,515
Income tax expenses	6	<u>(806)</u>	<u>(6,391)</u>
(Loss)/profit for the year		<u>(12,712)</u>	<u>4,124</u>
Attributable to:			
Owners of the Company		(13,108)	4,124
Non-controlling interests		<u>396</u>	<u>—</u>
		<u>(12,712)</u>	<u>4,124</u>
(Loss)/profit for the year		<u>(12,712)</u>	<u>4,124</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit:</i>			
— Currency translation differences		<u>(2,536)</u>	<u>(245)</u>
Total comprehensive (loss)/income for the year, net of tax		<u>(15,248)</u>	<u>3,879</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(15,644)	3,879
Non-controlling interests		<u>396</u>	<u>—</u>
		<u>(15,248)</u>	<u>3,879</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company:			
Basic and diluted (loss)/earnings per share <i>(RMB cents)</i>	7	<u>(3.3)</u>	<u>1.4</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		53,007	17,178
Intangible assets		54,782	19,536
Right-of-use assets		52,244	5,651
Investment in associates		10,339	440
Prepayments		3,368	40,884
Deferred tax assets		1,859	226
		<u>175,599</u>	<u>83,915</u>
Current assets			
Trade receivables	8	118,065	51,240
Contract assets	9	100,828	47,624
Prepayments		992	1,983
Other receivables		6,714	3,956
Inventories		—	3
Pledged bank deposits		5,359	6,503
Cash and cash equivalents		74,184	178,452
		<u>306,142</u>	<u>289,761</u>
Total assets		<u>481,741</u>	<u>373,676</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		3,597	3,578
Other reserves		201,377	191,719
(Accumulated losses)/retained earnings		(639)	14,263
		<u>204,335</u>	<u>209,560</u>
Non-controlling interests		11,312	—
Total equity		<u>215,647</u>	<u>209,560</u>

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		31,752	3,605
Deferred tax liabilities		2,471	—
Other payables		1,574	—
Other borrowings	<i>11</i>	—	6,438
		<u>35,797</u>	<u>10,043</u>
Current liabilities			
Trade payables	<i>10</i>	68,675	41,523
Accruals and other payables		51,556	29,591
Contract liabilities	<i>9</i>	1,213	12,789
Current income tax liabilities		8,020	7,967
Lease liabilities		13,510	1,791
Bank and other borrowings	<i>11</i>	87,323	60,412
		<u>230,297</u>	<u>154,073</u>
Total liabilities		<u>266,094</u>	<u>164,116</u>
Total equity and liabilities		<u>481,741</u>	<u>373,676</u>
Net current assets		<u>75,845</u>	<u>135,688</u>
Total assets less current liabilities		<u>251,444</u>	<u>219,603</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 Company listed its shares on Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2019.

The consolidated financial information are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and related interpretations. The consolidated financial information has been prepared under the historical cost convention, except for the financial asset at fair value through profit or loss, which is carried at fair value.

The preparation of consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (the “IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise IFRS, International Accounting Standard (“IAS”) and Interpretations. The adoption of these new and revised IFRS did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the consolidated financial statements of the Group.

3 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue		
— Data solutions	196,924	166,440
— Sales of hardware and software and related services as an integrated service	97,201	54,742
— IT maintenance and support services	36,165	36,733
	<u>330,290</u>	<u>257,915</u>
Timing of revenue recognition		
— At a point in time	97,201	54,742
— Over time	233,089	203,173
	<u>330,290</u>	<u>257,915</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 consolidated financial statements 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 consolidated financial statements.

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 consolidated statement of financial position.

Revenue from external parties contributing 10% or more of the total revenue of the Group is as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	36,707	48,832
Customer B	*	35,259
	<u> </u>	<u> </u>

* represents the amount of revenue from such customer which is less than 10% of the total revenue of the year.

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	267,626	208,876
Hong Kong	62,664	49,039
	<u> </u>	<u> </u>
	<u>330,290</u>	<u>257,915</u>

The Group's non-current assets are principally located in Mainland China.

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, 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.

4 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Material costs	86,491	66,675
Employee benefit expenses (including directors' emoluments)	130,077	73,083
Subcontracting service fee	62,041	50,768
Listing expenses	—	23,851
Entertainment and travelling expenses	4,441	3,837
Amortisation of intangible assets	6,304	5,330
Expenses related to short-term leases	3,705	3,138
Depreciation of right-of-use assets	3,917	1,967
Promotion expenses	7,949	2,553
Consulting service fee	7,295	350
Office expenses	7,109	2,378
Depreciation of property and equipment	3,189	1,861
Other taxes	595	1,208
Legal and professional fees	7,099	1,125
Auditor's remuneration		
— Audit services	3,656	1,341
Share-based compensation — non employee (<i>Note i</i>)	—	2,432
Others	2,059	2,988
	<hr/>	<hr/>
Total cost of sales, selling, administrative and research and development expenses	335,927	244,885
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) During the reorganisation of the Group during the year ended 31 December 2019, 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 consolidated statement of comprehensive income for the year ended 31 December 2019 given no vesting conditions existed.

5 FINANCE COSTS, NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	513	234
Finance costs		
— Interest expense on bank and other borrowings	(4,269)	(4,005)
— Finance charges on lease liabilities	(494)	(291)
	(4,763)	(4,296)
Finance costs, net	(4,250)	(4,062)

6 INCOME TAX EXPENSES

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	—	1,875
— PRC enterprise income tax	3,789	4,793
Over-provision in prior years		
— PRC enterprise income tax	(1,329)	—
Deferred income tax	(1,654)	(277)
Income tax expenses	806	6,391

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the year ended 31 December 2020 (2019: 16.5%).

(ii) PRC enterprise income tax

Shenzhen Suoxinda Data Technology Co., Ltd. and Suoxinda (Beijing) Data Technology Co., Ltd. were recognised by relevant PRC authorities as National High and New Technological Enterprise (“NHNTE”) and were entitled to a preferential enterprise income tax rate of 15% from 2020 to 2023 and from 2018 to 2021, respectively.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to (losses)/profits of the entities under the Group as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before income tax	(11,906)	10,515
Less: share of losses/(profits) of associates, net of tax	101	(40)
	<u> </u>	<u> </u>
(Loss)/profit before income tax before share of losses/ (profits) of associates	(11,805)	10,475
	<u> </u>	<u> </u>
Tax calculated at domestic tax rates applicable to (losses)/ profits of the respective companies	(2,627)	5,533
Income not subject to tax	—	(50)
Expenses not deductible for tax purposes	3,766	1,473
Over-provision in prior years	(1,329)	—
Super deduction for research and development expenses (Note i)	(4,099)	(1,410)
Tax losses for which no deferred tax was recognised	5,095	845
	<u> </u>	<u> </u>
Income tax expenses	806	6,391
	<u> </u>	<u> </u>

Note:

(i) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim up to 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2019 and 2020.

7 (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.

	Year ended 31 December	
	2020	2019
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	<u>(13,108)</u>	<u>4,124</u>
Weighted average number of ordinary shares in issue (<i>Number of shares in thousand</i>)	<u>400,082</u>	<u>304,932</u>
Basic and diluted (loss)/earnings per share (<i>RMB cents</i>)	<u>(3.3)</u>	<u>1.4</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential 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 year ended 31 December 2020, the Group has no dilutive potential ordinary shares (2019: Nil).

8 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	134,077	54,034
Less: allowance for expected credit losses	<u>(16,012)</u>	<u>(2,794)</u>
	<u>118,065</u>	<u>51,240</u>

The carrying amounts of trade receivables approximate their fair values at each reporting date and are denominated in the following currencies:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	107,130	50,426
USD	10,932	798
HKD	<u>3</u>	<u>16</u>
	<u>118,065</u>	<u>51,240</u>

As at 31 December 2020, trade receivables outstanding from certain specific customers of the Group of approximately RMB13,338,000 have been pledged to certain bank borrowings of the Group (2019: RMB9,404,000) (Note 11(a)).

Movements on the Group's allowance for expected credit losses on trade receivables are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	(2,794)	(621)
Increase in expected credit losses	<u>(13,218)</u>	<u>(2,173)</u>
At the end of the year	<u><u>(16,012)</u></u>	<u><u>(2,794)</u></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:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 3 months	80,222	47,693
3 to 6 months	7,553	3,979
6 months to 1 year	27,798	2,289
Over 1 year	<u>18,504</u>	<u>73</u>
	<u><u>134,077</u></u>	<u><u>54,034</u></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 assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Financial assets are written off when there is no reasonable expectation of recovery.

The allowance for expected credit losses on trade receivables as of 31 December 2019 and 2020 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	Over 6 months past due	Total
31 December 2019:					
Weighted average expected loss rate	1%	5%	10%	32%	
Gross carrying amount (<i>in thousand</i>)	26,231	17,344	7,547	2,912	54,034
Allowance for expected credit losses (<i>in thousand</i>)	262	867	728	937	2,794
31 December 2020:					
Weighted average expected loss rate	4%	6%	12%	28%	
Gross carrying amount (<i>in thousand</i>)	73,770	7,043	16,107	37,157	134,077
Allowance for expected credit losses (<i>in thousand</i>)	3,302	432	2,005	10,273	16,012

Weighted average 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.

9 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	As at 31 December		As at
	2020	2019	1 January
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	106,733	51,149	44,110
Less: allowance for expected credit losses	<u>(5,905)</u>	<u>(3,525)</u>	<u>—</u>
	<u>100,828</u>	<u>47,624</u>	<u>44,110</u>
Contract liabilities	<u>(1,213)</u>	<u>(12,789)</u>	<u>(3,901)</u>

Movements on the Group's allowance for expected credit losses on contact assets are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(3,525)	—
Increase in expected credit losses	<u>(2,380)</u>	<u>(3,525)</u>
At the end of the year	<u>(5,905)</u>	<u>(3,525)</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 (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.

The following table shows the revenue recognised during the year ended 31 December 2019 and 2020 related to carried-forward contract liabilities:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	<u>12,789</u>	<u>3,901</u>

10 TRADE PAYABLES

Trade payables analysis is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>68,675</u>	<u>41,523</u>

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
up to 30 days	52,271	40,698
31 to 60 days	3,259	147
61 to 90 days	2,120	631
Over 90 days	<u>11,025</u>	<u>47</u>
	<u>68,675</u>	<u>41,523</u>

The carrying amounts of the trade payables approximate their fair values as at 31 December 2019 and 2020. The trade payables are denominated in the following currencies:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	65,737	40,709
HKD	2	10
USD	2,936	804
	<u>68,675</u>	<u>41,523</u>

11 BANK AND OTHER BORROWINGS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Other borrowings (<i>Note (b)</i>)	—	6,438
	<u>—</u>	<u>6,438</u>
Current		
Bank borrowings (<i>Note (a)</i>)	80,885	51,390
Other borrowings (<i>Note (b)</i>)	6,438	9,022
	<u>87,323</u>	<u>60,412</u>
Total	<u>87,323</u>	<u>66,850</u>

(a) Bank borrowings

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	<u>80,885</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:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>80,885</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 5.1% per annum for the year ended 31 December 2020 (2019: 5.9%).

As at 31 December 2020, the Group had aggregate banking facilities of RMB108,000,000 (2019: RMB61,474,000). Unused facilities as at the same date amounted to RMB31,315,000 (2019: RMB10,084,000). The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from an independent third party of RMB30,000,000 as at 31 December 2020 (2019: RMB8,000,000);
- (ii) building of the Group of approximately RMB11,576,000 as at 31 December 2020 (2019: RMB12,299,000);
- (iii) pledged bank deposits of approximately RMB5,359,000 held at bank as at 31 December 2020 (2019: RMB6,503,000);
- (iv) trade receivables outstanding from certain specific customers of the Group of approximately RMB13,338,000 as at 31 December 2020 (2019: RMB9,404,000);
- (v) other deposits of the Group of RMB1,000,000 as at 31 December 2020 (2019: RMB800,000); and
- (vi) personal guarantee from directors of the Company and their spouses.

(b) Other borrowings

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year	6,438	9,022
One to two years	—	6,438
	<hr/>	<hr/>
	6,438	15,460
Less: portion classified as current liabilities	(6,438)	(9,022)
	<hr/>	<hr/>
	—	6,438
	<hr/> <hr/>	<hr/> <hr/>

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 which 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 fully settled on 29 March 2021 and 26 December 2021, respectively. As at 31 December 2020, the loans are secured by:

- (i) other deposits of RMB1,200,000 (2019: RMB1,200,000); and
- (ii) certain equipment of the Group of approximately RMB2,244,000 (2019: RMB3,258,000).

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

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year ended 31 December 2020 (2019: Nil).

13 EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no material event of the Group after the Reporting Period and up to the date of this annual results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

2020 BUSINESS REVIEW

1 Our overall performance achieved sustainable and rapid growth

With global economic slowdown due to the pandemic and intensifying trade tensions, China's economy has also been greatly affected during the pandemic. Despite the complex and volatile external environment, our Group, as a major market leader in big data and artificial intelligence (“AI”) services industry in China, has achieved a rapid growth of 28.1% in overall revenue as compared with that of 2019, by leveraging our technological strength, stable customer base, our development strategy of focusing on financial industry, and our talent and brand development. This is another great achievement we have made in business development after a 39.0% growth in revenue in 2019, which further consolidated our position as a renowned service provider in the big data and AI services industry.

We have developed the markets in southern China, northern China and eastern China in parallel. In order to accelerate regional market development and localization services, during the Reporting Period, we increased investments in northern China and eastern China, hired experienced and talented industry professionals to lead us and established new offices in Hangzhou, Chengdu, Dalian and Xiamen. With a strong team of professionals in the three regions as the command center and covering the places where the headquarters of leading financial institutions in China are located, we are able to provide stable and rapid service support to Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Chengdu, further consolidating and expanding our market presence as a renowned service provider in the big data and AI services industry.

For customers and services, we made major breakthroughs and great successes during the Reporting Period, which demonstrated our unique competitive advantages. For example, our eastern China team was newly established in Shanghai in 2020. Soon after, it successfully cooperated with a leading joint-stock bank and won the bidding for the precision marketing system construction project. This is a strong step for our eastern China team to secure a foothold in Shanghai and enter into the eastern China market. In northern China, we successfully won the bidding for headquarters-level projects including the data lake project of a leading state-owned bank, the data analysis and application project of a leading joint-stock bank, as well as business strategy planning and quick win consulting project of a leading joint-stock bank. This marks our implementation of comprehensive end-to-end technology and services covering fields such as big data platform, big data analysis and application, digital marketing as well as financial consulting in the places across the country where the banks' headquarters located. In southern China, in addition to continuing to consolidate and expand our cooperation with existing customers, we also achieved breakthroughs in new areas, overtook many competitors and won the precision marketing projects of a leading securities company, a leading urban commercial bank and the card center of a joint-stock bank.

During the Reporting Period, we continued to maintain cooperation with leading financial institutions to achieve more project conversions and extensions. Our service coverage among the Top 15 banks increased from 53% in 2019 to 80% in the Reporting Period. This further enhances our competitiveness to win top customers. For small and medium-scale banks, we moved forward with a main focus in providing integrated projects covering intelligent marketing platform construction, big data analysis and financial business consulting, which could provide small and medium-scale banks with accurate, fast, direct and effective one-stop services from planning, technology to implementation. Particularly, our benchmark projects include the customer tagging platform project of a leading rural commercial bank, where we provided end-to-end solutions from platform construction, data analysis to scene applications. We have expanded into the industries of securities, insurance and financial holding companies, we won the bid for the intelligent marketing platform project of a leading securities company, which became the touchstone for our entry into the securities industry, and opened the way to a new sector. During the trial operation period, such platform helped our customer to improve the marketing effectiveness by 5 times.

2 Completed AI innovative research and product system construction

The sustainable and rapid growth of our overall performance was attributable to our strategic commitment and investment in intelligent marketing product and AI research and development (“**R&D**”) over the past year. During the Reporting Period, R&D expenses increased 140.9% as compared with that of 2019. In addition, we have been devoted to the R&D of the cutting edge big data and AI technologies, products and their applications, to deeply integrate AI technology with financial business scenarios, to help customers rapidly improve the efficiency, reduce costs and risks. As at 31 December 2020, we have achieved R&D and deployment of 6 Lingxi serial products and 7 model factory serial products, applied for up to 43 patents, and obtained a total of 90 computer software copyright registration certificates.

Our strength in big data and AI technologies are essential to our successful development and delivery of innovative solutions. We constantly increase investments in machine learning, natural language processing, knowledge graph and other relevant technologies. During the Reporting Period, our AI innovation center has successively recruited a number of top talents, and focused on the applications of cutting-edge AI technology in the financial field, including increased intensive researches in the model management platform, model factory and customer micro-segmentation. Through partnering with Huawei Cloud, Suoxinda analytical model was launched on Huawei ModelArts, which can transform the common structured data of the banking industry into deep image features through the structural gravity imaging, zero-value merge and quadratic binning, image automatic coding and other innovative deep learning algorithms. This provides the tactical level micro-segmentation, and accurately describes customers’ asset preferences. The efficiency of data processing is improved by 400 times, and model accuracy is increased by 20% to 40%, which greatly improves Suoxinda’s capability to create value for customers through technology.

To become a leading service provider in the intelligent marketing field, we have constantly upgraded and enriched our intelligent marketing product system. During the Reporting Period, we upgraded and optimized new versions of intelligent marketing platform, real-time marketing platform, personalized recommendation system, tag management platform and introduced a novel marketing content management platform and customer profile module at the same time. In addition, our AI innovation center has also released a new series of model management platform products and planning. We are committed to productizing and microservicing our core data capabilities and industry experience, and constantly upgrade our large-scale digital capabilities to fully meet the needs of financial customers in digital marketing business and technological development.

The products we released have been widely recognized by financial customers, and we have successfully won the bidding for many benchmark product construction projects, including the intelligent marketing operation platform project of a leading joint-stock bank based on our Lingxi intelligent marketing platform, the intelligent marketing project of a leading securities company, the customer tagging platform consulting and platform construction project of a leading rural commercial bank based on our tagging platform. This means large joint-stock banks, city and rural commercial banks and leading customers of the securities industry fully recognize our products. Following the demonstration effects of these three benchmark cases, we have successfully signed relevant projects with other urban commercial banks and securities companies.

3 End-to-end service capability deployment

To meet the demands of customers for the end-to-end service package, and strengthen Suoxinda's competitiveness in the big data and AI services field, we have conducted extensive research on and tracking of the relevant targets in the market. During the Reporting Period, we acquired Shenzhen Yinxing Intelligent Data Co., Ltd. ("**Shenzhen Yinxing**"), the No.1 brand of domestic Cloudera services. Shenzhen Yinxing plays a leading role in Hadoop market in China, and occupied over one third of market share in Cloudera's Hadoop platform field in 2019. Especially in southern China, northern China and southwest regions, it is the largest business partner and technology service provider of Cloudera. Its main customers are leading domestic banks, small and medium-scale financial institutions and large enterprises in the fields of electricity and telecommunications.

The acquisition of Shenzhen Yinxing enables Suoxinda to enhance its capabilities in the underlying platform of big data, to expand its existing customer coverage and existing technology team, and to accelerate its business growth in the big data platform field and establish a leading position therein. Moreover, Shenzhen Yinxing has accumulated a strong and stable base of important customers in the financial industry, which provides many cross-selling opportunities for Suoxinda and may further increase its market share. The strategic acquisition provides strong synergy effects and driving force for Suoxinda's growth and development.

4 Organization and corporate culture cultivation

In 2020, the total number of our staff increased by more than 50%. Particularly, our professional team of big data and AI achieved 101% growth in scale.

In order to effectively support the development of business capabilities and enhance the overall attractiveness for talents, we have upgraded the overall organizational structure, recruitment mechanism and staff ranking system of our Group. With the unified organizational culture as the link and the staff ranking system as the foundation, we have established Suoxinda's systems regarding staff ranking, performance management, compensation and welfare and equity incentive, thereby forming a unified standard of organizational languages within our Group and shaping Suoxinda's corporate culture and brand.

2021 OUTLOOK

1 Overview

Looking into 2021, there are both opportunities and challenges in the market as well as uncertainties in the global macro economy. With the online business development and service upgrade in financial industry and coupled with extensive and serious social alienation caused by COVID-19 pandemic, the demand for digitalization of the financial industry also expects an explosive growth.

Considering strong support for and investments in the digital industry by the government in 2021, we will actively revolve around digital finance and bring our leading big data and AI technologies in financial sector to more financial institutions and improve the digital service capabilities of financial industry. We will closely focus on the field of financial digitalization segmentation, and provide our core technology and business experiences in a multi-channel and multi-dimensional way. With our prospective investment deployment in talent teams and product R&D in 2020 as well as our stronger foundation in the expansion of customer base in the market, we are confident in keeping a rapid growth trend and achieving a consistently high revenue growth in 2021. In terms of specific implementation of our strategies, we will expand our overall business horizontally while explore deeply and vertically. We will strengthen our “consultation + product + delivery” end-to-end data intelligent integration service capability and enhance the R&D of products and services and AI innovation to increase our competitive advantages. In addition, we will continue the construction of organization, brand and ecology, aiming to become the leading provider of big data and AI services.

2 Market and customer strategies

Deepening cooperation with top customers and accelerating the relationship development with small and medium-scale customer

I. Broadening and deepening businesses relating to major banks — focusing on providing high-value services and conducting joint research and development

In terms of top banks, endogenous cooperation will be deepened for projects in progress by developing into multi-phase mode; and in terms of horizontal development, we will broaden the scope of cooperation by cross-selling, in particular, connecting different departments by horizontal cooperation at the headquarters level. We will provide comprehensive, top-level and systematic service solutions to the head office/headquarter level institutions according to their business characteristics and cooperate with branch office/sub-departmental level institutions with local characteristics to provide scenario-based services.

In addition, we will actively join the big data supplier framework resource pool of banks to establish trust relationships. Through the long-term and in-depth cooperations with leading banks, we will engage more large-scale and advanced benchmark projects to provide new enabling-drivers for our Group's business development and technology R&D.

With the gradual shifts to “consultation + product + delivery” mode and on the basis of the successful solutions provided to leading banks, we will further carry out in-depth cooperations with the R&D center and the big data center to provide high-value services, and conduct joint development on AI products (such as model management platform and model factory) and products of central marketing platform. Professional positions with business mindset will be introduced into our projects, including consultants, business experts and demand analysts, to guarantee the controllability of demands in projects and operability of solution implementation. We will continuously strengthen close communications with customers to enhance customer satisfaction and improve our ability of business opportunity tapping and conversion. The joint development model with large financial institutions can ensure Suoxinda's leading position in terms of big data and AI in the financial industry.

II. Accelerating the relationship development with medium and small-scale financial institutions — to help medium and small-scale banks implement digital transformation scenarios

With the development of COVID-19, medium and small-scale financial institutions' perception towards the construction of internet, digitalization, intellectualization is currently emerging and in the intense deployment stage. Medium and small-scale financial institutions are increasingly interested in the digital transformation, and highly desire to learn digital transformation experience of leading banks.

For the urban commercial banks that have cooperation experiences with us, we will increase the loyalty of customers by providing our unique products, and promote the construction of digitalization and intelligentization on the basis of digital capacity infrastructure. For the other urban commercial banks and rural commercial banks that have not yet cooperated with us, we will serve as a scenario service provider to achieve “fast, accurate and effective” implementation of short-term, stable and rapid projects through digital transformation planning, to bring value to customers quickly, and provide subsequent services on this basis.

3 Products and R&D strategies

In terms of products and R&D, we will strengthen basic research, deepen product application, explore joint R&D and SaaS mode

I. Continue to increase investments in innovation and products, and achieve product system layout and market promotion

In 2021, we will continually upgrade the basic big data platform, AI application and management platform, and intelligent marketing platform to meet the changing needs of customers and evolving standards in the industry.

In terms of the basic big data platform, we will further enhance Suoxinda’s leadership in Hadoop big data platform and applications, relying on the products and capabilities of Shenzhen Yinxing as acquired by us. In the aspect of AI application and management platform, we will strive to make a breakthrough in the R&D of model factory serial products and also in customer development. For intelligent marketing serial products, combined with the application and promotion of current benchmark customers, we will continue to upgrade and optimize the existing 6 Lingxi products, and strive to be the first-preferred products for customers in the intelligent marketing field.

II. Development of joint R&D mode with high-end customers

For leading customers in the financial industry, on the one hand, because of the needs of business innovation, certain application scenarios in the industry have not been explored, and there are no ideal digital products to support the needs of business innovation. On the other hand, considering the demands for independence and controllability, these customers would like to research together with leading players in the industry, and jointly develop advanced products and applications in the industry.

To meet the needs of leading customers in digital innovation, independence and controllability, we will be an early mover of the joint R&D mode with high-end customers. Through joint R&D mode, we are able to maintain a leading position in digital innovation and applications. These benchmark projects help us to continuously promote and extend products to urban commercial banks and rural commercial banks and other medium and small-scale customers.

III. Explore SaaS mode of products in medium and small-scale customers

SaaS mode is the trend of technological development. Although our products are technically ready for SaaS mode, however, due to the regulatory situation and development stage of financial technological market, the current application of SaaS in financial institutions are still at the stage of exploration. We will explore the application of SaaS in compliance with regulations. For example, we will work with ecological partners, to quickly empower medium and small-scale banks through SaaS mode, and improve the digital level of medium and small-scale financial institutions, thereby further strengthening the leading position of Suoxinda in the digital marketing field of the financial industry.

4 Ecological partner strategy

In 2021, Suoxinda will expand the strategic cooperation and ecological construction plan in the following three aspects: I. to strengthen the cooperation with technology giants and join the financial business ecosystem of internet giants, including Huawei, ByteDance, Alibaba and Tencent; II. to cooperate with leading and large financial technology companies and become their value partner in the digital marketing field, such as CCB Fintech, One Account Financial Technology and UnionPay Data; III. to actively establish the upstream and downstream partner ecosystem based on Suoxinda Lingxi's integrated intelligent marketing serial products, build up the capability of overall solution, optimise customer experience and enhance market competitiveness.

As the professional solution provider in the financial digital marketing field, Suoxinda will strengthen its cooperation with leading technology giants by leveraging on their information technology innovative basic platforms and strong ecological environment as well as the business consulting and solution capabilities of Suoxinda in the financial industry, both parties will develop unique jointly-created solutions in the industry and establish competitive financial product portfolio, so as to complement each other's advantages, and make joint cooperation and exploration in the market, thereby providing comprehensive services to financial customers of both parties.

In the cooperation with leading large financial technology companies, Suoxinda can rely on the security and reliability of financial cloud, and explore the suitable marketing scenarios for providing SaaS services. In addition, we will perform joint operation or agent operation cooperation with licensed organizations to increase the breadth and depth of products through practical experience, so as to improve customer satisfaction. On the other hand, in the process of digital empowerment promotion undertaken by large financial technology companies, Suoxinda as the professional company in the financial marketing field can also help to enhance the overall competitiveness of their products in the marketing field.

As the financial customers increasingly demand for diversified, flexible, efficient and available marketing, Suoxinda is also seeking partners for the technology, business and operation in the marketing field of the financial industry, in addition to our increasing investments in continuous R&D activities of Lingxi series products, so as to improve Suoxinda's comprehensive strength of providing overall solutions by learning from partners' strengths and create a marketing ecosystem with customer demand as the center and ultimate experience as the goal.

5 Mergers and acquisitions (M&A) development strategy

Relying on our established leadership in the data field and overall resources that we have developed after the listing of our Company, we will accelerate the integration of teams or companies which have synergy effects with Suoxinda in respect of business, technology and customers. On the one hand, we will rapidly expand our coverage of the market, and on the other hand, we will form a professional team with more economic scale to take use of huge business opportunities driven by the digital transformation and information technology application innovation, so as to strengthen our leading position in the market. To achieve this target, our Company has set up the professional investment team and management committee, to determine a definite investment direction and target list.

FINANCIAL REVIEW

1. Revenue

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
— Data solutions	196,924	166,440
— Sales of hardware and software and related services as an integrated service	97,201	54,742
— IT maintenance and support services	36,165	36,733
	<u>330,290</u>	<u>257,915</u>

For the Reporting Period, we recorded revenue of approximately RMB330,290,000, representing an increase of approximately 28.1%, or approximately RMB72,375,000 over 2019. Such increase in revenue was mainly due to (i) steady growth of our Group's business in southern China, which recorded an increase in revenue of approximately 32.6% or approximately RMB50,923,000 as compared with 2019; and (ii) a major breakthrough in business development in eastern China was achieved by our Group in the Reporting Period, resulting in an increase of approximately 67.9% or RMB13,324,000 in revenue generated from customers in eastern China as compared with 2019.

Including:

Revenue from data solutions was approximately RMB196,924,000, representing an increase of approximately 18.3%, or approximately RMB30,484,000 over 2019, such increase was mainly due to two new leading bank customers and steady growth of orders from our existing financial bank customers during the Reporting Period.

Revenue from sales of hardware and software and related services as an integrated service was approximately RMB97,201,000, representing an increase of approximately 77.6%, or approximately RMB42,459,000 over 2019, such increase was mainly due to an increase in sales of our core products by 71.0% or approximately RMB15,568,000 during the Reporting Period as compared with 2019.

Revenue from IT maintenance and support services was approximately RMB36,165,000, basically the same as that of 2019.

2. Gross profit and gross margin

Gross profit for the Reporting Period amounted to approximately RMB117,592,000, representing an increase by approximately 28.4%, or approximately RMB25,998,000 as compared with that of 2019. Such increase of gross profit was mainly due to steady growth of our business. Gross margin for the Reporting Period remained stable at approximately 35.6% (2019: 35.5%).

3. Selling expenses

For the Reporting Period, we recorded an increase of approximately 94.7%, or approximately RMB12,060,000 in selling expenses over 2019. Selling expenses accounted for approximately 7.5% of our revenue (2019: approximately 4.9%). The increase in the selling expenses was mainly due to the enhancement of marketing ability and brand promotion of our Group, in particular: (1) the number of sales and pre-sales staff increased from 27 in 2019 to 51 in the Reporting Period, resulting in an increase of approximately 106.4% or approximately RMB7,309,000 in marketing staff cost over 2019; (2) an increase of approximately 211.4% or approximately RMB5,396,000 in promotion expenses of our brands over 2019.

4. Research and development expenses

For the Reporting Period, we recorded an increase of approximately 140.9% or approximately RMB24,652,000 in R&D expenses over 2019. Such expenses accounted for approximately 12.8% (2019: approximately 6.8%) of our revenue for the Reporting Period. Such increase in the R&D expenses was mainly due to the continuous recruitment of senior and skilled R&D technicians by our Company for the Reporting Period to expand our R&D team. The number of R&D technicians increased from 47 in 2019 to 145 in the Reporting Period, resulting in an increase of approximately 228.0% or approximately RMB18,560,000 in staff costs of R&D team over 2019.

5. Administrative expenses

For the Reporting Period, we recorded an increase of approximately 16.5% or approximately RMB7,953,000 in administrative expenses over 2019, mainly due to (1) employee benefit expenses for the administrative staff, which was expanded from 53 to 76 personnel, increased by approximately 133.1% or approximately RMB14,949,000 over 2019; (2) consulting service fees increased by 1,984.3% or approximately RMB6,945,000 over 2019.

6. Income tax expenses

For the Reporting Period, we recorded a decrease of approximately 87.4% or approximately RMB5,585,000 in income tax expenses as compared with that of 2019. The decrease in income tax expenses was mainly due to the loss before income tax for

the Reporting Period, excluding the effect of non-deductible expenses, included but not limited to listing expenses, share-based compensation, and expected credit losses on financial and contract assets.

7. Net Loss for the year

Net loss for the Reporting Period amounted to approximately RMB12,712,000 (2019: net profit RMB4,124,000). Net loss for the Reporting Period was mainly due to:

1. the continuous recruitment of senior and skilled R&D technicians by our Group to expand our R&D team. The number of R&D technicians increased from 47 in 2019 to 145 in the Reporting Period, resulting in an increase of approximately RMB18,560,000 in staff costs of R&D team over 2019;
2. our Group's business market expansion in southern China, northern China and eastern China, resulting in (1) the number of sales and pre-sales staff increased from 27 in 2019 to 51 in the Reporting Period, resulting in an increase of approximately RMB7,309,000 in marketing staff cost over 2019 ; and (2) an increase of approximately RMB14,949,000 in management staff cost as compared with 2019;
3. expected credit losses on financial and contract assets of RMB15,598,000.

8. Loss for the year attributable to owners of the Company

For the Reporting Period, the loss for the year attributable to owners of the Company was approximately RMB13,108,000 (2019: profit attributable to owners of the Company was approximately RMB4,124,000). Such decrease was mainly due to:

1. the continuous recruitment of senior and skilled R&D technicians by our Group to expand our R&D team. The number of R&D technicians increased from 47 in 2019 to 145 in the Reporting Period, resulting in an increase of approximately RMB18,560,000 in staff costs of R&D team over 2019;
2. our Group's business market expansion in southern China, northern China and eastern China, resulting in (1) the number of sales and pre-sales staff increased from 27 in 2019 to 51 in the Reporting Period, resulting in an increase of approximately RMB7,309,000 in marketing staff cost over 2019 ; (2) an increase of approximately RMB14,949,000 in management staff cost year-over-year;
3. expected credit losses on financial and contract assets of RMB15,598,000.

9. (Loss)/earnings per share

Basic and diluted loss per share for the Reporting Period amounted to RMB3.3 cents (2019: earnings per share of RMB1.4 cents). This was mainly due to the net loss of for the Reporting Period.

10. Liquidity and financial resources: overview and notes of cash flow

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflows in)/inflows from operating activities	(89,592)	27,449
Net cash outflows in investing activities	(19,736)	(23,766)
Net cash inflows from financing activities	<u>6,010</u>	<u>130,338</u>

Apart from the proceeds received from the Share Offer (as defined below), our working capital mainly comes from net cash generated from our operating activities. Our Board expects that our Group will use the net cash generated from operating activities and bank loans for working capital and other capital expenditures.

The balance of our Group's cash and cash equivalents as at 31 December 2020 was approximately RMB74,184,000, representing a decrease of approximately RMB104,268,000 as compared with cash and cash equivalents as at 31 December 2019.

A. *Operating activities*

Net cash used by our Group in operating activities for the Reporting Period was approximately RMB89,592,000, while the net cash generated from operating activities for 2019 was approximately RMB27,449,000. The decrease in net cash from operating activities was mainly due to an increase in contract assets/liabilities, trade receivables and prepayments and other financial assets measured at amortised cost.

B. *Investing activities*

The net cash used by our Group in investing activities in the Reporting Period was approximately RMB19,736,000, mainly including:

- (1) external investment in an associate and a subsidiary of RMB11,692,000; and
- (2) related expenses for purchase of equipment and intangible assets of approximately RMB49,485,000.

C. Financing activities

The net cash generated from financing activities of our Group in the Reporting Period was approximately RMB6,010,000, mainly comprised of proceeds from the bank loans.

D. Capital expenditures

For the Reporting Period, our Group recorded capital expenditures of approximately RMB49,485,000, mainly comprised of the costs for purchasing equipment and intangible assets. All capital expenditures were financed from our internal sources, bank borrowings and proceeds from the Share Offer.

11. Capital structure

Bank and other borrowings

As at 31 December 2020, we have short-term bank borrowings of approximately RMB80,885,000 and other short-term borrowings of approximately RMB6,438,000.

Debt securities

As at 31 December 2020, our Group had no debt securities.

Contingent liabilities

As at 31 December 2020, our Group had no major contingent liabilities or guarantees.

Treasury policy

Our Group has adopted a prudent financial management approach towards the 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

As at 31 December 2020, the gearing ratio of our Group was approximately 40.5% (2019: 31.9%). The increase of gearing ratio was mainly due to short-term borrowings for the Reporting Period increased by approximately RMB29,495,000 as compared with 2019.

12. Pledge of assets

As at 31 December 2020, bank borrowings of our Group were secured and/or guaranteed by:

- (i) corporate guarantee from an independent third party of RMB30,000,000 (2019: RMB8,000,000);
- (ii) building of our Group of approximately RMB11,576,000 (2019: RMB12,299,000);
- (iii) pledged bank deposits of approximately RMB5,359,000 (2019: RMB6,503,000);
- (iv) trade receivables outstanding from certain customers of our Group of approximately RMB13,338,000 (2019: RMB9,404,000);
- (v) other deposits of our Group of RMB1,000,000 (2019: RMB800,000); and
- (vi) personal guarantee from directors of our Company and their spouses.

As at 31 December 2020, other borrowings of our Group were secured by:

- (i) other deposits of our Group of RMB1,200,000 (2019: RMB1,200,000); and
- (ii) certain equipment of our Group of approximately RMB2,244,000 (2019: RMB3,258,000).

13. Capital commitments

As at 31 December 2020, our Group had no capital commitments.

14. Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period, we acquired a 56% equity interest in Shenzhen Yinxing at a consideration of RMB11,900,000, which shall be satisfied by way of: (1) cash payment in the aggregate amount of RMB1,900,000; and (2) allotment and issue of 2,552,325 shares of our Company (the “**Shares**”) to the vendors at the issue price of HK\$4.65 per Share under the general mandate upon completion of the acquisition.

Because of an inadvertent clerical error, our Company had issued 2,150,537 Shares to the vendors upon completion, which represents a shortfall of 401,788 Shares (“**Outstanding Shares**”). On 18 March 2021, our Company and the vendors entered into a settlement agreement, pursuant to which our Company shall pay the vendors a total sum of RMB1,574,203 as replacement for the Outstanding Shares. The determination of the settlement sum is based on the total number of Outstanding Shares with the issue price of HK\$4.65 per Share and the applicable exchange rate. Please refer to the announcements of our Company dated 9 December 2020, 11 December 2020

and 18 March 2021 for details of acquisition of Shenzhen Yinxing. Save as disclosed above, there were no material acquisitions and disposals of joint ventures during the Reporting Period.

15. Foreign exchange risk exposure

Our Group has certain exposures to foreign currency risk as most of our business transactions, assets and liabilities are principally denominated in the functional currencies of the respective group entities. Our Group implemented an effective management policy to monitor closely changes in foreign exchange rates and review regularly foreign exchange risks. Our Group will consider hedging significant foreign currency exposure when necessary.

16. Future plans for material investments or capital assets

As disclosed in the section headed “Use of Net Proceeds from the Share Offer” below, our Group intended to apply the unutilized Net Proceeds (as defined below) of HK\$10.51 million as at 31 December 2020 for the development of the financial AI laboratory, the display centre and the office facilities on or before 31 December 2021. Save as disclosed, our Group currently do not have other plans for material investments or capital assets.

MATERIAL DIFFERENCES BETWEEN UNAUDITED ANNUAL RESULTS AND AUDITED ANNUAL RESULTS

Since the financial information contained in the announcement of the Unaudited Annual Results was neither audited nor agreed with the then auditor, PricewaterhouseCoopers, as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of our Company are advised to pay attention to certain differences between the Unaudited Annual Results and Audited Annual Results. Set forth below are principal details and reasons for the material differences in such financial information:

	Audited <i>RMB'000</i>	Unaudited <i>RMB'000</i>	Difference <i>RMB'000</i>	<i>Notes</i>
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
<i>For the year ended 31 December 2020</i>				
Administrative expenses	(56,279)	(53,709)	(2,570)	<i>1, 2</i>
Operating loss	(7,555)	(4,985)	(2,570)	<i>1, 2</i>
Loss before income tax	(11,906)	(9,336)	(2,570)	<i>1, 2</i>
Loss for the year	(12,712)	(10,142)	(2,570)	<i>1, 2</i>
Total comprehensive loss for the year, net of tax	(15,248)	(12,678)	(2,570)	<i>1, 2</i>
Loss per share for loss attributable to owners of the Company:				
Basic and diluted loss per share (<i>RMB cents</i>)	(3.3)	(2.6)	(0.7)	<i>1, 2</i>
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
<i>As at 31 December 2020</i>				
ASSETS				
Current assets				
Prepayments	992	2,002	(1,010)	<i>1</i>
Total assets	481,741	482,751	(1,010)	<i>1</i>
EQUITY				
Equity attributable to the owners of the Company				
(Accumulated losses)/retained earnings	(639)	1,931	(2,570)	<i>1, 2</i>
Total equity	215,647	218,217	(2,570)	
LIABILITIES				
Current liabilities				
Accruals and other payables	51,556	49,996	1,560	<i>2</i>
Total liabilities	266,094	264,534	1,560	<i>2</i>
Total equity and liabilities	481,741	482,751	(1,010)	<i>1</i>
Net current assets	75,845	78,415	(2,570)	<i>1, 2</i>
Total assets less current liabilities	251,444	254,014	(2,570)	<i>1, 2</i>

Notes:

- (1) The difference is mainly due to expense of prepaid consultancy services fees of RMB1,010,000 since no future economic benefit were expected to be obtained.
- (2) The difference is mainly due to accrued audit fee of RMB1,560,000 to ZHONGHUI ANDA CPA Limited.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the announcement of the Unaudited Annual Results.

OTHER INFORMATION

Remuneration policy and employment benefits

Our Group had 704 employees altogether in Mainland China and Hong Kong as at 31 December 2020. We offer a comprehensive and competitive remuneration, retirement scheme and benefit package to our employees. Discretionary bonus is offered to our staff depending on their performance. Our Group is required to make contribution to a social insurance scheme in Mainland China.

Our Directors and senior management of our 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 our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

Our Group have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have experienced any difficulties in the recruitment and retention of experienced staff.

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 our 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The purposes of the Share Option Scheme and the Share Award Scheme are to recognize and motivate the contribution of the eligible participants and to provide incentives and help our Group in retaining our existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of our Group.

As at 31 December 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 approximately 9.95% of the total Shares in issue as at the date of this announcement.

The Share Award Scheme is administrated by our Board. As at 31 December 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 approximately 4.97% of the total Shares in issue as at the date of this announcement. As at 31 December 2020, no trustee had been appointed under the Share Award Scheme.

Purchase, sale or redemption of our Company's listed securities

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

Compliance with the Corporate Governance Code

Our 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 our Company's corporate governance practices. Our Company had complied with all the applicable code provisions set out in the CG Code during the Reporting Period, save and except the following deviation:

According to the code provision C.1.2 of the CG Code, the management shall provide all members of our Board with monthly updates giving a balanced and understandable assessment of our Company's performance, position and prospects in sufficient detail to enable our Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 under the Listing Rule. Although regular monthly updates to our Board was not arranged, our Company had provided quarterly updates, including quarterly financial information and management accounts to our Board during the Reporting Period, which was considered to be sufficient to provide general updates of our Company's performance, position and prospects to our Board. Since August 2021, our Company has provided all member of our Board monthly updates of financial, compliance and operation matters to enhance the corporate governance of our Group and provide more adequate and complete information to our Board in a timely manner.

Compliance with the Model Code for Securities Transactions by Directors

Our 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 the code of conduct regarding our Directors' dealings in the securities of Company. Having made specific enquiries of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

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

Audit Committee

The Audit Committee (comprising Mr. Tu Xinchun, Ms. Zhang Yahan and Prof. Qiao Zhonghua) has reviewed the audited consolidated financial statements of our Group for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control with senior management members and the auditor. Based on the review and discussions with the management and the auditor, the Audit Committee was satisfied that our Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and had fairly presented our Group's financial position and results for the Reporting Period.

Review of the annual results announcement

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the Reporting Period as set out in this preliminary announcement have been agreed by our Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in our Group's audited consolidated financial statements for the Reporting Period. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this preliminary announcement.

Material litigation

Our Company was not involved in any material litigation or arbitration during the Reporting Period nor were our Directors aware of any material litigation or claims that were pending or threatened against our Company.

Use of Net Proceeds from the Share Offer

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

	Allocation percentage	Allocation of the Net Proceeds (HK\$ million)	Utilised Net Proceeds as at 31 December 2020 (HK\$ million)	Unutilised Net Proceeds as at 31 December 2020 (HK\$ million)	Proposed timetable for the use of unutilised Net Proceeds
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	16.8	4.00	On or before 31 December 2021
Enhancement of the Group’s sales and marketing efforts including corporate branding activities	20%	20.8	8.8	11.99	On or before 31 December 2021
Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen	35%	36.4	25.9	10.51	On or before 31 December 2021
Potential strategic acquisition to supplement the Group’s organic growth	15%	15.6	2.1	13.46	On or before 31 December 2021
Working capital and other general corporate purposes	10%	10.4	10.4	—	N/A
Total	100%	104.0	64.3	39.7	

Note: As disclosed in the announcement of our Company dated 2 December 2020, our Company originally intended to apply approximately 35.0% of the Net Proceeds from the Share Offer, or approximately HK\$36.4 million for the development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen. However, as one of the conditions precedent for the completion of acquisition of the Haina Property could not be fulfilled, our Company terminated the acquisition of the Haina Property with the relevant seller on 2 December 2020. As a result, our Board intend to apply the unutilised Net Proceeds for such purpose to search for new locations for the development of our Group’s financial AI laboratory, display centre and office facilities.

Dividend

Our Board does not recommend payment of any final dividend for the Reporting Period. Our Company is not aware of any arrangements under which a shareholder of our Company has waived or agreed to waive any dividends.

Sufficient public float

Based on the information that is publicly available to our Company and to the best knowledge of our Directors, our 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no material event of our Group after the Reporting Period and up to the date of this annual results announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of our Company (www.datamargin.com). The annual report of our Company will be published on the aforesaid websites of the Stock Exchange and our Company and will be dispatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of our Board, I would like to take this opportunity to express our appreciation to the management team and staff of our Group for their contribution during the Reporting Period and also to extend my sincere gratitude to all our shareholders and business partners for their continuous support.

CONTINUED SUSPENSION OF TRADING

At the request of our Company, trading in the Shares of our Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of the Audited Annual Results by our Company and will remain suspended until our Company fulfill the Resumption Guidance (as defined in our Company's announcement dated 26 May 2021).

Shareholders and potential investors of our Company are advised to exercise caution when dealing in the Shares of our Company.

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

Hong Kong, 10 September 2021

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 Prof. Qiao Zhonghua.