



2021 INTERIM REPORT



索信达控股有限公司
SUOXINDA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3680

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Song Hongtao (*Chairman of the Board*)
Mr. Wu Fu-Shea (*Effective from 10 September 2021*)
Mr. Wu Xiaohua
Mr. Lam Chun Hung Stanley
Ms. Wang Jing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tu Xinchun
Ms. Zhang Yahan
Prof. Qiao Zhonghua

CHIEF EXECUTIVE OFFICER

Mr. Wu Fu-Shea

COMPANY SECRETARY

Mr. Wong Tin Yu (*ACG, ACS*)

AUTHORIZED REPRESENTATIVES

Mr. Lam Chun Hung Stanley
Mr. Wong Tin Yu

AUDIT COMMITTEE

Mr. Tu Xinchun (*Committee Chairman*)
Ms. Zhang Yahan
Prof. Qiao Zhonghua

REMUNERATION COMMITTEE

Ms. Zhang Yahan (*Committee Chairman*)
Mr. Tu Xinchun
Prof. Qiao Zhonghua

NOMINATION COMMITTEE

Mr. Song Hongtao (*Committee Chairman*)
Ms. Zhang Yahan
Prof. Qiao Zhonghua

INDEPENDENT AUDITOR

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COMPLIANCE ADVISOR

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REGISTERED OFFICE

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**PRINCIPAL
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AND TRANSFER
OFFICE IN THE
CAYMAN ISLANDS**

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WEBSITE

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STOCK CODE

3680

Financial Highlights

For the six months ended 30 June 2021 (the “**Reporting Period**”), revenue amounted to RMB144,602,000, representing an increase of RMB15,090,000 or 11.7% as compared with the six months ended 30 June 2020 (“**1H2020**”). This was mainly due to the continuous growth of the business of Suoxinda Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”).

Gross profit for the Reporting Period amounted to approximately RMB50,836,000, representing an increase of RMB13,086,000 or 34.7% as compared with 1H2020. This was mainly due to more competitive services and products provided by our Group and the improvement of the gross profit margin of our business.

Net loss for the Reporting Period amounted to approximately RMB41,306,000, representing an increase of approximately 693.3% as compared with the net loss of approximately RMB5,207,000 for 1H2020. This was mainly due to (1) the recruitment of additional research and development (“**R&D**”) personnel and employees and increase in costs arising from R&D during the Reporting Period; (2) the increase in administrative costs arising from the establishment of new offices in northern China, southern China, eastern China and other areas and the recruitment of additional employees in these areas; and (3) the increase of marketing expenses arising from the expansion of the sales team and enhanced efforts in marketing activities.

Basic and diluted loss per share of our Company (the “**Share(s)**”) for the Reporting Period amounted to approximately RMB10.36 cents (1H2020: loss per Share of approximately RMB1.30 cents).

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

Management Discussion and Analysis

BUSINESS REVIEW

1 Overall performance maintained a stable and rapid growth

At present, financial institutions, in general, deeply acknowledge the importance of digital transformation, the investment in financial technology continues to grow, and the digital transformation of China's financial industry is in full swing. As the most representative digital technologies, artificial intelligence ("AI") and big data, are becoming an important engine for innovations in the financial industry and are continuously achieving deep integration with financial businesses. During the process of digital transformation in the financial industry, the power of local fintech companies is increasingly valued. Fintech companies are working with financial users to promote the digital transformation and upgrading process of the financial industry.

Under this favorable external environment, being a leader in data intelligence and marketing technology with a focus on the financial industry, Suoxinda has been recognized by customers with its forward-looking strategic layout, leading technical strength and extensive project experiences, which has supported the steady and high-quality growth of its performance. During the Reporting Period, our Company achieved a revenue of approximately RMB144,602,000, an increase of 11.7% as compared with 1H2020. In the first half of 2021, our Company's business continued to grow rapidly, with new contract value for the overall business increasing by 131% compared to 1H2020, while new contract value for the core business of data solutions increased by 320% compared to 1H2020, which provided an important foundation for revenue growth in the second half of 2021.

2 Continuous significant breakthroughs in market expansion

In 2021, our Company has established different market development strategies for different customers: intensively cultivated additional business opportunities with large banks both vertically and horizontally, and accelerated the development of businesses with small and medium financial institutions. Based on this strategic orientation, during the Reporting Period, our Company continued to strengthen in-depth cooperation with the existing major customers, and broaden our service offerings both vertically and horizontally; at the same time, we continued to develop new markets and new customers, and accelerated our entry into new sectors such as small and medium-scale banks, securities and insurance, and have achieved good results.

In terms of cooperations with the existing customers, our Company continuously consolidates and deepens such cooperations, and has entered into framework cooperation agreements with a number of leading banks, obtained various high-value service contracts such as data analysis and application expert resource pools projects, and the retention rate of major customers reached 100%, ensuring the high growth and sustainability of our revenue. During the Reporting Period, our cooperation with the existing customers has been further expanded both vertically and horizontally, reflecting the high recognition of our Company by customers. For example, we signed a number of new projects with a leading joint-stock bank that we have cooperated with for many years during the Reporting Period. One of the projects achieved a record high single contract value in our history. We also achieved a new breakthrough in corporate banking sector with this bank, which further enhanced our long-term collaborative relationship with this customer and created new opportunities to expand digital marketing with respect to corporate banking to more banks in the future.

In terms of new customer development, our Company continues to make new progress. During the Reporting Period, our Company developed two large joint-stock banks customers with cooperation initiated at the head office level. One of them is headquartered in Beijing, in which our Company signed a bank-wide data analysis and service project with this joint-stock bank; the other is headquartered in Shanghai, and our Company provided digital operations consulting and services targeting the massive client base and explored online growth incentive systems for retail wealth management clients. Meanwhile, our Company has made new breakthroughs in the expansion of new markets other than leading banks and has won new businesses with a number of small and medium-sized financial institutions such as city commercial banks, rural commercial banks and securities companies, including Guangdong Rural Credit Cooperative Union, Bank of Dongguan, Foshan Rural Commercial Bank, Suzhou Rural Commercial Bank, Great Wall West China Bank, Great Wall Securities, China Merchants Securities, etc.

In terms of business sectors, our Company has also made new breakthroughs. Previously, our Company's service sectors were mainly focused in the retail banking departments. During the Reporting Period, our Company successively won bids for wealth management and corporate banking projects of several leading banks, and entered into two new sectors which are the key development areas in the banking industry recently. For example, we newly signed a retail wealth management client journey penetrating closed-loop management consulting service project and a consulting service project for digital operation system in respect of private banking clients with a joint-stock bank, which set up benchmark cases for us to further expand these business sectors.

In terms of regional expansion, our Company's head office was officially set up in Hangzhou, and our business continued to expand across the country. In addition to the comprehensive presence and parallel development in the three major markets, namely southern China, eastern China, and northern China, our Company's northeast and southwest regions which were newly established at the end of last year also won a good start in relation to customer expansion. We have signed contracts with local customers in these two regions, and there will be more growth potential in the future.

3 Continuous achievements in technology research and development and product innovation

The soundness of our business performance is highly dependent on the capacity of self-development technologies and self-dependent innovation of products. We has placed great emphasis on and continued to increase our investments in technology R&D and product innovation through continuously launching products and solutions driven by the latest AI algorithm technology, continuously promoting AI innovation research and the construction of product system, and developing international digital talents and AI scientific experts who continue to solve complex problems on a global footing, with continuous refreshed records in the scale of technical talents and expert teams in the sectors of AI and big data. During the Reporting Period, our R&D expenses increased by 206.4% as compared with 1H2020. Up to 30 June 2021, we had made 74 applications for patents and obtained 93 computer software copyright registration certificates.

Management Discussion and Analysis

In terms of product self-dependent innovation, on one hand, our Company has iterated, upgraded and optimized Lingxi integrated and intelligent marketing product system. During the Reporting Period, our Company has completed a new round of upgrade and optimization of the self-developed Suoxinda Lingxi Integrated and Intelligent Marketing Platform (索信达靈犀整合智能營銷平台) system. Lingxi products continued to be widely recognized by customers, and won the bidding for a number of projects from small and medium-sized banks and securities institutions, and successively secured three benchmark projects from the Bank of Dongguan, Great Wall Securities and China Merchants Securities through bidding, establishing important benchmark cases for the market expansion of our independently developed and innovative standardized products in the small and medium-sized banks and securities industry.

On the other hand, our Company has released a newly upgraded model management platform, and made breakthroughs in the R&D of model factory and customer micro-segmentation. The Model Management Platform 2.0 (模型管理平台2.0) was officially released, which introduced the conceptual framework of micro-service, based on the idea of hierarchical management, and designed system functions according to the divisional governance concept, simplifying the review process, reducing the complexity of system operations and improving the scalability of the system. Our Company has introduced the Micro-segmentation Meter Version 1.0 (微細分儀1.0版本), which proposed structural gravity imaging technology in an innovative manner, realized the organic integration of structured data and deep learning algorithms, and obtained related product patents. Our Company has also completed the development of Model Factory Version 1.0 (模型工廠1.0版本), realizing the standardized automation of analysis and modeling for financial sector, covering over 50 business topics in the financial sector, and creating a production line for analysis models.

4 Creating a new growth force for data platform

The application analysis capabilities of big data are becoming one of the core competitiveness in the future development of financial institutions. Building a big data platform is the infrastructure construction to open up financial big data applications. The FinTech Development Planning (2019–2021) issued by The People's Bank of China proposed that “establishment and improvement of enterprise-level big data platform, further enhancement of data insight capabilities and scenario-based data mining capabilities, and fully release the core value of big data as a basic strategic resource”, which has shown the way for building of a big data platform in the banking industry, and also indicated a broad market prospect.

As a pioneer technology enterprise engaging in the building of data system in the financial industry, Suoxinda has been emphasizing on data business as its core business and key strategy, continuously making greater efforts to the introduction of talents, and constantly expanding its business scope focusing on data building and data application. During the Reporting Period, our Company recruited a team that had been engaged in the data platform business for many years, and specially established a data platform division to strengthen the solution service capabilities in the construction and operation of the underlying data platform, data asset management, database migration, data analysis and application. After the establishment of the data platform division, we built a team of talents which nearly 100 in the first half of the year, the core talents of which come from leading companies in the global data industry such as Teradata, have extensive experience in servicing big data planning and consulting, platform construction, application development for leading banks and small and medium-sized financial institutions. After its establishment, such division has made significant progress in product R&D and business expansion, which will play an important role in promoting the business growth of Suoxinda.

5 Rapid expansion of the talent pool to promote business development

Our Company has always regarded talents as the first core competitiveness. During the Reporting Period, our Company accelerated the recruitment and establishment of the talent teams, and the number of experts and senior technical talents increased significantly, which greatly enhanced our market expansion and project delivery capabilities. During the Reporting Period, the total number of our employees increased by 67.2% as compared with 1H2020, of which, the number of employees in the AI and big data businesses increased by 94%, and the number of monthly new recruits achieved record high, which provided strong guarantee for the continuous and rapid development of our businesses.

While building a fast-growing talent pool, our Company has ensured high quality talent input through developing the recruitment team and establishing the recruitment standards. Our Company has also continuously optimized and upgraded the talent structure, optimized performance management and employee incentive mechanism, and strengthened employee training, so as to build a high-quality team.

OUTLOOK

With the continuous explosive growth of financial institutions' demand for digital transformation and the strong support at the policy level, local Fintech enterprises will have broad development potential. Moreover, the industry's requirements and demands for technology standardization have become increasingly prominent, and new requirements have also been put forward in relation to technological capabilities of enterprises.

Our Company will continue to adhere to the spirit of innovation and entrepreneurship, actively respond to the implementation of national strategies such as the implementation of information technology innovation and technological innovation, and strengthen the accumulated technology and talent advantages, so as to fully leverage our advantages in the data intelligence sector in the financial industry. Our Company will continue to provide high-quality, personalized solutions and standardized products for the financial industry, enhance market influence, facilitate more financial institutions to improve operational efficiency, and reduce operational costs, with a view to achieving efficient digital transformation effects.

In terms of specific implementation strategies, we will continue to focus on two "enhancements". The first one is efficiency enhancement, that is, we will achieve accumulation of capacities, through modularization, componentization and productization, lower the threshold, enhance the delivery efficiency and quickly achieve scale replication. The other one is value enhancement, in which, we will help customers to realize the enhancement of the value of digital assets through the end-to-end data intelligent integration service capability, namely "consulting + product + delivery".

Our Company will continue to consolidate our three moats: Firstly, a high-caliber talent pool. Through the dual mechanism of external recruitment and internal training, we will develop an industry-leading high-caliber interdisciplinary talent pool to provide customers with high-quality solutions and professional technical services. Secondly, extensive case accumulation. Since our establishment in Shenzhen in 2004, our Company has been deepening penetration in the sectors of financial data and intelligent marketing for more than a decade. We have established cooperation with 80% of domestic leading banks and numerous small and medium-sized financial institutions, and accumulated very extensive experience, which enabled us to empower more financial institutions, so as to give full play to the value of data. Thirdly, continuous breakthrough of product innovation

Management Discussion and Analysis

capabilities. By leveraging on the building of highly specialised and elite technological talents, our Company will continue to improve our independent R&D and independent innovation capabilities, closely integrate customers' needs with technological development, and continuously optimize and improve product capabilities, with a view to continuously providing customers with stable, reliable and innovative products with superior performance, and facilitate customers to outcompete in the market competition.

1 Continuous making every effort for market expansion and achieving rapid development

Our Company will accelerate to secure key business opportunities, make every effort to promote the delivery of implemented projects, and ensure service quality and efficiency with end-to-end high-value services and benchmark projects, with a view to gaining customers' satisfaction and market reputation.

Our Company will further enhance cooperation with leading financial institutions to rapidly expand more small and medium-sized financial institutions. Our Company will continue to maintain close cooperation with existing customers, and maintain our continuous and stable development through long-term and in-depth cooperation with leading major banks, expanding businesses from head office to branches, and from one department to multiple departments.

Our Company will continue to expand the small and medium-sized banks, securities and insurance sectors. With extensive experience accumulated for many years in serving major banks and the products refined, our Company will quickly empower small and medium-sized financial institutions. We will take the digital transformation project implemented in leading banks and the intelligent marketing system built in small and medium-sized banks as successful implementation experiences, engage with more city commercial banks and rural commercial banks by taking advantage of the accelerated digital transformation of small and medium-sized banks, and carry out extensive promotion and replication by focusing on facilitating the commencement and enhancement of digital transformation, with a view to occupying the market quickly.

2 Increasing investment in product innovation, optimizing and enhancing product capabilities

Our Company will continue to increase investments in innovation and products, improve the deployment of product system and their promotion and application. Our Company will upgrade and iterate the integrated intelligent marketing platform, AI application and management platform, and data platform products, so as to meet the changing needs of customers and the ever-increasing standards of the industry.

In terms of the integration of intelligent marketing series products, we will continuously upgrade and optimize Lingxi series products by taking technological development trends and customers' application feedback into account, striving to become the first choice for customers in the intelligent marketing sector. In terms of the AI series products, we will continue to upgrade and optimize innovative products such as model management platform, model factory and customer micro-segmentation, and expand practical applications for customers to continuously improve the maturity of products. In terms of data platforms, we will actively participate in the localization of database and the trend of information technology and application innovation, committing to becoming a leader in the market segments. We will also continue to invest in R&D and optimization of data asset management and other data application products, so as to empower customers to deeply explore data value and enhance efficiency.

3 Promoting win-win cooperation between parties and building a diversified cooperative ecosystem

Our Company will continue to promote ecological cooperations from the following three aspects: 1. We will strengthen cooperation with technology giants such as Huawei, Alibaba, Tencent and Byte, leverage our unique advantages in the financial and data sectors to achieve win-win cooperation, and explore more business opportunities. For example, through the aforementioned cooperation, we will secure more business opportunities for financial institutions cloudification and domestic database migration. 2. With the enhanced cooperation with technology subsidiaries of financial institutions, our Company will secure more business opportunities for technology exports. For example, through cooperating with CCB Fintech, a subsidiary of China Construction Bank, apart from providing assistance for the digital transformation of China Construction Bank, we will also provide data consultation, solutions and professional services to regulators and small and medium-sized financial institutions along with the technology output of CCB Fintech. 3. Focusing on our own products and expanding sectors, we have strengthened the ecological construction of partners, and formed overall solution capabilities to optimize customer experience and enhance market competitiveness. For example, in terms of expansion of securities business, we are empowering our partners to quickly replicate successful experiences, so as to better promote Lingxi integrated and intelligent marketing products and enlarge market share.

Since 2021, by virtue of the forward-looking strategic layout, leading technical strength and extensive project experiences, Suoxinda has been recognized by customers, and achieved rapid and stable development, securing substantial achievement in market expansion, product R&D, talent pool and ecological construction, which have laid a solid foundation for the continuous high-quality development of our Company in the second half of 2021. In the second half of 2021, our Company will further accelerate the pace of development on the basis of existing achievements and progress, with a view to continuously achieving high revenue growth.

FINANCIAL REVIEW

1 Revenue

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue		
— Data solutions	74,805	85,121
— Sales of hardware and software and related services as an integrated service	45,008	27,849
— IT maintenance and support services	24,789	16,542
	144,602	129,512

Management Discussion and Analysis

Revenue for the Reporting Period amounted to RMB144,602,000, representing an increase of RMB15,090,000 or 11.7% as compared with 1H2020. This was mainly due to the continuous growth of our Group's business. In particular, revenue from data solutions for the Reporting Period was approximately RMB74,805,000, representing a decrease of approximately 12.1% or approximately RMB10,316,000 as compared to 1H2020. The decrease was mainly due to the provision of data infrastructure services to a major customer in 1H2020 and the absence of such infrastructure services during the Reporting Period. Excluding the impact of such data infrastructure services project, revenue from data solutions for the Reporting Period grew by approximately 57.9% as compared with 1H2020. Revenue from sales of hardware and software and related services as an integrated service for the Reporting Period was approximately RMB45,008,000, representing an increase of approximately 61.6% or approximately RMB17,159,000 as compared to 1H2020. Revenue from IT maintenance and support services for the Reporting Period was approximately RMB24,789,000, representing an increase of approximately 49.9%, or RMB8,247,000 as compared to 1H2020.

2 Gross profit and gross profit margin

For the Reporting Period, we recorded a gross profit of approximately RMB50,836,000, representing an increase of 34.7%, or approximately RMB13,086,000 as compared to 1H2020. This was mainly due to more competitive services and products provided by our Group and the improvement of the gross profit margin of our business. For the Reporting Period, our gross profit margin was 35.2%, representing an increase of 20.6%, as compared to 29.1% in 1H2020. The primary reason for the increase in gross profit margin is our provision of data infrastructure services with relatively lower gross profit margin to a major customer for 1H2020 and the absence of such data infrastructure services during the Reporting Period. Excluding the impact of such data infrastructure service project, the gross profit margin in the same period of previous year was 34.1%, while the gross profit margin for the Reporting Period was 35.2%, which remained relatively stable.

3 Selling expenses

For the Reporting Period, we recorded an increase of approximately 99.1% or approximately RMB8,579,000 in selling expenses as compared to 1H2020. Selling expenses accounted for approximately 11.9% of our revenue for the Reporting Period (1H2020: 6.7%). The increase in selling expenses was mainly due to the increase in labour costs by RMB5,238,000 as a result of the expansion of sales team in northern China, southern China, eastern China and other areas, and the increase in marketing expenses by RMB2,732,000 arising from our enhanced efforts in marketing activities during the Reporting Period.

4 Research and development expenses

For the Reporting Period, we recorded an increase of approximately 206.4% or approximately RMB28,528,000 in R&D expenses over 1H2020. Such expenses accounted for approximately 29.3% of our revenue (1H2020: accounting for approximately 10.7% of our revenue). The increase in R&D expenses was mainly due to the increase in labour costs by RMB24,175,000 arising from our Company's continuous recruitment of sophisticated and skilful technicians to expand our R&D team and the increase of RMB3,738,000 in depreciation of relevant R&D equipment.

5 Administrative expenses

For the Reporting Period, we recorded an increase of approximately 72.2% or approximately RMB14,443,000 in administrative expenses over 1H2020. The increase in administrative expenses was mainly due to the increase in labour costs by RMB6,501,000 as a result of the recruitment of employees in southern China, northern China, eastern China and other areas, and the increase in lease expenses by RMB3,236,000 and relevant office expenditure of RMB2,677,000 arising from the establishment of offices in southern China, northern China and eastern China.

6 Income tax credit/(expenses)

For the Reporting Period, the total income tax credit amounted to approximately RMB314,000, as compared to the income tax expenses of approximately RMB185,000 for 1H2020. Such change was mainly due to a decrease in the profit before tax of our Company for the Reporting Period.

7 Loss for the period

For the Reporting Period, we recorded a net loss for the period of approximately RMB41,306,000 (1H2020: RMB5,207,000). Such increase in loss was primarily due to (1) the recruitment of additional R&D personnel and employees and increased in costs arising from R&D during the Reporting Period; (2) the increase in administrative costs arising from the establishment of new offices in northern China, southern China, eastern China and other areas and the recruitment of additional employees in these areas; and (3) the increase of marketing expenses resulted from the expansion of the sales team and the enhanced efforts in marketing activities.

8 Loss for the period attributable to owners of our Company

For the Reporting Period, the loss for the period attributable to owners of our Company was approximately RMB41,676,000 (1H2020: RMB5,207,000). Such increase in loss was mainly due to (1) the recruitment of additional R&D personnel and employees and increase in costs arising from R&D during the Reporting Period; (2) the increase in administrative costs arising from the establishment of new offices in northern China, southern China, eastern China and other areas and the recruitment of additional employees in these areas; and (3) the increase of marketing expenses resulted from the expansion of the sales team and the enhanced efforts in marketing activities.

9 Loss per share

Basic and diluted loss per Share for the Reporting Period amounted to approximately RMB10.36 cents, while basic and diluted loss per Share for 1H2020 amounted to approximately RMB1.3 cents.

Management Discussion and Analysis

10 Liquidity and financial resources

The following table provides an overview of our Group's cash flow for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash outflows in operating activities	(60,995)	(79,248)
Net cash outflows in investing activities	(18,854)	(33,228)
Net cash inflows from financing activities	26,768	4,018

A Operating activities

The net cash used in operating activities by our Group for the Reporting Period was approximately RMB60,995,000, representing a decrease of approximately RMB18,253,000 as compared with 1H2020. The decrease in net cash used in operating activities was mainly due to our enhanced collection efforts of the trade receivables.

B Investing activities

The net cash used in investing activities by our Group for the Reporting Period was approximately RMB18,854,000, representing a decrease of approximately RMB14,374,000 as compared with 1H2020. The decrease in net cash used in investing activities was mainly due to the absence of investment in wealth management products for the Reporting Period, which was offset by the increase in purchase of fixed assets and intangible assets.

C Financing activities

The net cash generated from financing activities of our Group for the Reporting Period was approximately RMB26,768,000, as compared with the net cash generated from financing activities of approximately RMB4,018,000 for 1H2020. The increase in net cash generated from financing activities was mainly due to our Company obtained more financing as we gained the support from a Director of our Company during the Reporting Period.

11 Capital structure

A Bank and other borrowings

As at 30 June 2021, we have short-term bank borrowings of approximately RMB66,824,000, amount due to a director of approximately RMB53,000,000 and short-term other borrowings of approximately RMB2,742,000.

B Debt securities

As at 30 June 2021, our Group had no debt securities.

C *Contingent liabilities*

As at 30 June 2021, our Group had no major contingent liabilities or guarantees.

D *Treasury policy*

Our Group has adopted a prudent financial management approach towards our treasury policy. The board (the “**Board**”) of directors (the “**Director(s)**”) of our Company 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.

E *Gearing ratio*

The gearing ratios as at 30 June 2021 and 31 December 2020 were approximately 66.9% and 40.5%, respectively. The increase of gearing ratio was mainly due to the increase of approximately RMB35,243,000 or approximately 40.4% in bank and other borrowings at the end of the Reporting Period as 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 period divided by our total equity as at the same date.

12 Pledge of assets

As at 30 June 2021, bank borrowings of our Group are secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of RMB20,000,000 (31 December 2020: RMB30,000,000);
- (ii) building of our Group of approximately RMB11,212,000 (31 December 2020: RMB11,576,000);
- (iii) pledged bank deposit of approximately RMB13,453,000 (31 December 2020: RMB5,359,000);
- (iv) trade receivables of approximately RMB17,561,000 (31 December 2020: RMB13,338,000);
- (v) other deposits of RMB Nil (31 December 2020: RMB1,000,000); and
- (vi) personal guarantees from the Directors of the Company and their spouses.

As at 30 June 2021, other borrowings of our Group are secured by:

- (i) other deposits of RMB500,000 (31 December 2020: RMB1,200,000); and
- (ii) certain equipment of our Group of approximately RMB Nil (31 December 2020: RMB2,244,000).

Management Discussion and Analysis

13 Capital commitments

Our Group had no capital commitment during the Reporting Period.

14 Significant investments, or material acquisitions and disposals of subsidiaries, associates and joint ventures

There were no significant investments or material acquisitions and disposals of subsidiaries, associates and 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\$4.6 million as at 30 June 2021 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.

17 Employee and remuneration policy

Our Group had 873 employees altogether in Mainland China and Hong Kong as at 30 June 2021. Our Group offers 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 allowances and benefits in various kinds 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 has neither experienced significant problems with our employees or disruption to our operations due to labour disputes, nor has experienced any difficulties in the recruitment and retention of experienced staff.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name	Capacity/ Nature of interest	Number of Shares interested ⁽¹⁾	Approximate % of shareholding
Mr. Song Hongtao ("Mr. Song")	Interest in controlled corporation ⁽²⁾ Beneficial owner	136,080,000 (L)	33.84%
		<u>5,000,000 (L)</u>	<u>1.24%</u>
		141,080,000 (L)	35.08%
Mr. Wu Xiaohua ("Mr. Wu")	Interest in controlled corporation ⁽³⁾	29,590,000 (L)	7.36%
Mr. Wu Fu-Shea ⁽⁴⁾	Beneficial owner	6,000,000 (L)	1.49%
Mr. Lam Chun Hung Stanley	Beneficial owner	1,600,000 (L)	0.40%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) These Shares were held by Mindas Touch Global Limited ("Mindas Touch"), which was wholly owned by Mr. Song. Accordingly, Mr. Song was deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (3) These Shares were held by Ideal Treasure Holdings Limited ("Ideal Treasure"), which was wholly owned by Mr. Wu. Accordingly, Mr. Wu was deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (4) Mr. Wu Fu-Shea, the Company's chief executive officer, was appointed as an executive Director with effect from 10 September 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following corporations or persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Company's Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of Shares ⁽¹⁾	Approximate % of shareholding
Mindax Touch ⁽²⁾	Beneficial interest	136,080,000 (L)	33.84%
Ms. Huang Liming ("Ms. Huang") ⁽³⁾	Interest of spouse	141,080,000 (L)	35.08%
Benefit Ocean Holdings Limited ("Benefit Ocean") ⁽⁴⁾	Beneficial interest	60,550,000 (L)	15.06%
Ms. Xia Liping ("Ms. Xia") ⁽⁴⁾	Interest in controlled corporation	60,550,000 (L)	15.06%
Mr. Zhu Zhenkui ("Mr. Zhu") ⁽⁵⁾	Interest of spouse	60,550,000 (L)	15.06%
Ideal Treasure ⁽⁶⁾	Beneficial interest	29,590,000 (L)	7.36%
Ms. Chi Xianfang ("Ms. Chi") ⁽⁷⁾	Interest of spouse	29,590,000 (L)	7.36%
Thousand Thrive Investments Limited ("Thousand Thrive") ⁽⁸⁾	Beneficial interest	23,814,000 (L)	5.92%
Ms. Liu Qin ("Ms. Liu") ⁽⁸⁾	Interest in controlled corporation	23,814,000 (L)	5.92%
Mr. Fan Yuehua ("Mr. Fan") ⁽⁹⁾	Interest of spouse	23,814,000 (L)	5.92%

Notes:

- (1) The letter “L” denotes a long position in the Shares.
- (2) The above interest is also disclosed as the interest of Mr. Song in the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations”.
- (3) Ms. Huang is the spouse of Mr. Song. Pursuant to Part XV of the SFO, Ms. Huang was deemed to be interested in the same number of Shares in which Mr. Song was interested.
- (4) Benefit Ocean was wholly owned by Ms. Xia. Pursuant to Part XV of the SFO, Ms. Xia was deemed to be interested in the Shares held by Benefit Ocean.
- (5) Mr. Zhu is the spouse of Ms. Xia. Pursuant to Part XV of the SFO, Mr. Zhu was deemed to be interested in the same number of Shares in which Ms. Xia was interested.
- (6) The above interest is also disclosed as the interest of Mr. Wu in the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations”.
- (7) Ms. Chi is the spouse of Mr. Wu. Pursuant to Part XV of the SFO, Ms. Chi was deemed to be interested in the same number of Shares in which Mr. Wu was interested.
- (8) Thousand Thrive was owned as to 37.04% by Ms. Liu, 20.54% by Ms. Wang Jing (an executive Director), 15.50% by Ms. Wei Huijuan, 12.01% by Mr. Chen Liang and 14.91% by Ms. Zhu Shuang, respectively. Pursuant to Part XV of the SFO, Ms. Liu was deemed to be interested in the Shares held by Thousand Thrive.
- (9) Mr. Fan is the spouse of Ms. Liu. Pursuant to Part XV of the SFO, Mr. Fan was deemed to be interested in the same number of Shares in which Ms. Liu was interested.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors or the chief executive whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” above, has an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 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 retain 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 2021, 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 grant 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 interim report. The Share Option Scheme will expire on 7 June 2030.

The Share Award Scheme is administrated by the Board. As at 30 June 2021, 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 interim report. The Company has appointed Trident Trust Company (HK) Limited as the trustee of the Share Award Scheme during the Reporting Period.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and borrowings of the Group as at 30 June 2021 are set out in note 20 to the interim condensed consolidated financial statements.

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.

ISSUANCE OF EQUITY SECURITIES FOR CASH

The Company did not issue for cash any equity securities (including securities convertible into equity securities) during the Reporting Period.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares of the Company were listed on the Stock Exchange on 13 December 2019 (the “**Listing Date**”) 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, 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:

	Allocation percentage	Allocation of Net Proceeds (HK\$ million)	Utilized Net Proceeds as at 30 June 2021 (HK\$ million)	Unutilized Net Proceeds as at 30 June 2021 (HK\$ million)	Proposed timetable for the use of unutilized Net Proceeds
Strengthening and expansion of our data solution offerings through continuously attracting and retaining high-quality personnel and offering attractive compensation packages to retain our employees	20%	20.8	20.8	—	N/A
Enhancement of our sales and marketing efforts including corporate branding activities	20%	20.8	15.3	5.5	On or before 31 December 2021
Development of the financial AI laboratory, the display centre and office facilities (Note)	35%	36.4	31.8	4.6	On or before 31 December 2021
Potential strategic acquisition to supplement our organic growth	15%	15.6	2.1	13.5	On or before 31 December 2021
Working capital and other general corporate purposes	10%	10.4	10.4	—	N/A
Total	100%	104.0	80.4	23.6	

Note: As disclosed in the announcement of the Company dated 2 December 2020, the 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, the Company terminated the acquisition of the Haina Property with the relevant seller on 2 December 2020. As a result, the Board intends to apply the unutilized Net Proceeds for such purpose to search for new locations for the development of the Group’s financial AI laboratory, display centre and office facilities.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted 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 (1H2020: Nil).

INTEREST OF COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited (“**Essence Corporate Finance**”), the Company’s compliance advisor, neither Essence Corporate Finance nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2021.

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 interim report.

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 Prof. 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 and the auditor matters relating to the accounting policies and practices adopted by the Company and the internal control. Based on the review and discussions with the senior management and the auditor, the Audit Committee was satisfied that the unaudited interim condensed consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and had fairly present the financial position and results of the Group for the Reporting Period.

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

DISCLOSURE OF CHANGES OF INFORMATION OF DIRECTORS

There are no changes in the Directors’ information required to be disclosed pursuant to 13.51B(1) of the Listing Rules since the date of the Company’s annual report for the year ended 31 December 2020.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2020; (ii) publishing the annual report for the year ended 31 December 2020; and (iii) announcing the interim results for the six months ended 30 June 2021. Such delay has constituted non-compliance with Rules 13.46(2)(a), 13.49(1) and 13.49(6) of the Listing Rules. The Company failed to hold its annual general meeting for the year ended 31 December 2020 (the “**Annual General Meeting**”) within the times stipulated under the Listing Rules and the Company’s articles of association. The Annual General Meeting will be convened on 25 October 2021 in which the Board will cause the audited consolidated financial statements of the Group for the year ended 31 December 2020 to be laid before the shareholders of the Company (the “**Shareholders**”) for their consideration. Circular and the notice for the Annual General Meeting were dispatched to the Shareholders on 21 September 2021.

Save as disclosed above, for the Reporting Period, the Group is not aware of any material non-compliance with any relevant legislation or regulations that materially affect the Group’s business and operations.

EVENT AFTER THE REPORTING PERIOD

There has been no significant events that might affect the Group since the end of the Reporting Period and up to the date of this interim report.

PUBLICATION OF INTERIM REPORT

This interim report of the Company for the Reporting Period containing all the information required by the Listing Rules is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.datamargin.com.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 1 April 2021 and will continue to be suspended until the Company fulfills the Resumption Guidance (as defined in the Company’s announcement dated 26 May 2021).

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	6	144,602	129,512
Cost of sales		(93,766)	(91,762)
Gross profit		50,836	37,750
Selling expenses		(17,233)	(8,654)
Administrative expenses		(34,456)	(20,013)
Research and development expenses		(42,350)	(13,822)
Reversal of expected credit losses/(expected credit losses) on financial and contract assets	8	119	(3,247)
Other income	7	4,376	4,032
Other (losses)/gains, net	7	(79)	896
Operating loss		(38,787)	(3,058)
Finance income	9	102	318
Finance costs	9	(2,784)	(2,045)
Finance costs, net	9	(2,682)	(1,727)
Share of losses of associates		(151)	(237)
Loss before income tax		(41,620)	(5,022)
Income tax credit/(expenses)	10	314	(185)
Loss for the period		(41,306)	(5,207)
Attributable to:			
Owners of the Company		(41,676)	(5,207)
Non-controlling interests		370	—
		(41,306)	(5,207)
Loss for the period		(41,306)	(5,207)
Other comprehensive income			
<i>Items that may be reclassified to profit:</i>			
— Currency translation differences		(126)	1,451
Total comprehensive loss for the period, net of tax		(41,432)	(3,756)
Total comprehensive loss for the period attributable to			
Owners of the Company		(41,802)	(3,756)
Non-controlling interests		370	—
		(41,432)	(3,756)
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (RMB cents)	11	(10.36)	(1.30)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	12	55,415	53,007
Intangible assets	12	56,870	54,782
Right-of-use assets	12	46,243	52,244
Investment in associates		10,188	10,339
Prepayments	16	—	3,368
Deferred tax asset		1,347	1,859
		<u>170,063</u>	<u>175,599</u>
Current assets			
Trade receivables	14	102,866	118,065
Contract assets	15	127,104	100,828
Prepayments	16	8,299	992
Other receivables	16	6,423	6,714
Financial assets at fair value through profit or loss	13	—	—
Inventories		97	—
Pledged bank deposits		13,453	5,359
Cash and cash equivalents		20,977	74,184
		<u>279,219</u>	<u>306,142</u>
Total assets		<u>449,282</u>	<u>481,741</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	17	3,597	3,597
Other reserves		213,715	201,377
Accumulated losses		(42,473)	(639)
		<u>174,839</u>	<u>204,335</u>
Non-controlling interests		<u>8,443</u>	<u>11,312</u>
Total equity		<u>183,282</u>	<u>215,647</u>

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	21	24,080	31,752
Other payables	19	1,574	1,574
Deferred tax liabilities		2,209	2,471
		27,863	35,797
Current liabilities			
Trade payables	18	53,342	68,675
Accruals and other payables	19	41,254	51,556
Contract liabilities	15	1,512	1,213
Amount due to a director	22(b)	53,000	—
Current income tax liabilities		5,257	8,020
Lease liabilities	21	14,206	13,510
Bank and other borrowings	20	69,566	87,323
		238,137	230,297
Total liabilities		266,000	266,094
Total equity and liabilities		449,282	481,741
Net current assets		41,082	75,845
Total assets less current liabilities		211,145	251,444

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Retained Earnings/ (Accumulated losses)	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021 (Audited)	3,597	130,040	63,219	(2,587)	10,705	(639)	204,335	11,312	215,647
Comprehensive income									
Profit for the period	—	—	—	—	—	(41,676)	(41,676)	370	(41,306)
Other comprehensive income									
Currency translation differences	—	—	—	(126)	—	—	(126)	—	(126)
Total comprehensive income for the period	—	—	—	(126)	—	(41,676)	(41,802)	370	(41,432)
Transaction with owners in their capacity as owners									
Capital contribution to a subsidiary by Non-controlling interests	—	—	12,306	—	—	—	12,306	(3,239)	9,067
Transfer to statutory reserve	—	—	—	—	158	(158)	—	—	—
	—	—	12,306	—	158	(158)	12,306	(3,239)	9,067
Balance at 30 June 2021 (Unaudited)	3,597	130,040	75,525	(2,713)	10,863	(42,473)	174,839	8,443	183,282
Balance at 1 January 2020 (Audited)	3,578	119,640	63,219	(51)	8,911	14,263	209,560	—	209,560
Comprehensive loss									
Loss for the period	—	—	—	—	—	(5,207)	(5,207)	—	(5,207)
Other comprehensive income									
Currency translation differences	—	—	—	1,451	—	—	1,451	—	1,451
Total comprehensive income/(loss) for the period	—	—	—	1,451	—	(5,207)	(3,756)	—	(3,756)
Balance at 30 June 2020 (Unaudited)	3,578	119,640	63,219	1,400	8,911	9,056	205,804	—	205,804

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(58,796)	(77,021)
Income tax paid	(2,199)	(2,227)
	<u>(60,995)</u>	<u>(79,248)</u>
Cash flows from investing activities		
Purchase of intangible assets	(6,894)	(1,665)
Payment for property and equipment	(12,062)	(4,521)
Purchase of short-term investments measured at fair value through profit or loss	—	(27,360)
Interests received	102	318
	<u>(18,854)</u>	<u>(33,228)</u>
Cash flows from financing activities		
Interests paid on bank and other borrowings	(1,280)	(1,813)
(Increase)/decrease in pledged bank deposits and other deposits	(8,094)	2,280
Capital contribution to a subsidiary by non-controlling interests	9,067	—
Advances from a director	53,000	—
Repayment of lease liabilities	(8,168)	(1,902)
Repayment of other borrowings	(3,696)	(4,435)
Proceeds from bank borrowings	48,678	54,358
Repayment of bank borrowings	(62,739)	(44,470)
	<u>26,768</u>	<u>4,018</u>
Net decrease in cash and cash equivalents	(53,081)	(108,458)
Cash and cash equivalents at beginning of the period	74,184	178,452
Effect of currency translation differences	(126)	38
	<u>20,977</u>	<u>70,032</u>
Cash and cash equivalents at end of the period	20,977	70,032

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) 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 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 APPLICATION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (“**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“**IFRSs**”), International Accounting Standards (“**IASs**”) and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim condensed consolidated financial information and amounts reported for the current period 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 interim condensed consolidated financial information of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management policies since year ended 31 December 2020.

5.2 Credit risk

The credit risk of the Group mainly arises from cash at bank, pledged bank deposits, trade receivables, contract assets and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash at bank and pledged bank deposits, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit quality of the customers is assessed, which takes into account their financial position, past experience and other factors. Details of the credit risk assessment is included in Note 14 and Note 15 of the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Credit risk (Continued)

For other receivables, the Group has taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables as well as the loss upon default in each case. The directors considered that the lifetime expected credit losses allowance is insignificant.

5.3 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

5.4 Fair value estimation

The carrying values of cash and cash equivalents, pledged bank deposits, trade receivables, contract assets, other receivables, trade payables, accruals and other payables, lease liabilities and bank and other borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue		
— Data solutions	74,805	85,121
— Sales of hardware and software and related services as an integrated service	45,008	27,849
— IT maintenance and support services	24,789	16,542
	144,602	129,512
Timing of revenue recognition		
— At a point in time	45,008	27,849
— Over time	99,594	101,663
	144,602	129,512

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Mainland China	142,904	70,539
Hong Kong	1,698	58,973
	144,602	129,512

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, 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7 OTHER INCOME AND OTHER GAINS, NET

An analysis of other income and other gains, net is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income:		
Government grants (Note i)	4,376	4,032
Other (losses)/gains, net:		
Fair value gains on financial assets at fair value through profit of loss (Note 13)	—	723
Others	(79)	173
	(79)	896

Note:

- (i) Government grants are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to engage in research and development activities and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy.

8 LOSS BEFORE INCOME TAX

The Group's loss before income tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	51,570	46,097
Amortisation of intangible assets (Note 12)	4,806	2,791
Expenses related to short-term leases	1,766	1,656
Depreciation of right-of-use assets (Note 12)	6,001	1,571
Depreciation of property and equipment (Note 12)	5,523	1,256
(Reversal of expected credit losses)/expected credit losses on trade receivables (Note 14)	(389)	3,178
Expected credit losses on contract assets (Note 15)	270	69

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9 FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
— Interest income on bank deposits	102	318
Finance costs		
— Interest expense on bank and other borrowings	(1,280)	(1,813)
— Interest expense on amount due to a director	(312)	—
— Finance charges on lease liabilities	(1,192)	(232)
	(2,784)	(2,045)
Finance costs, net	(2,682)	(1,727)

10 INCOME TAX CREDIT/(EXPENSES)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax credit/(expenses)	564	(438)
Deferred income tax (charges)/credit	(250)	253
Income tax credit/(expenses)	314	(185)

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 Shenzhen Suoxinda Data Technology Co., Ltd. ("**Suoxinda Shenzhen**") and Suoxinda (Beijing) Data Technology Co., Ltd. ("**Suoxinda Beijing**") was 15% for the six months ended 30 June 2021 (30 June 2020: 15%), as these companies were recognised by relevant PRC authorities as National High and New Technological Enterprise ("**NHNT**") and were entitled to a preferential Enterprise Income Tax rate from 2020 to 2023 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 2021 (30 June 2020: 16.5%).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares issued during the respective periods.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(41,676)	(5,207)
Weighted average number of ordinary shares in issue (Number of shares in thousand)	402,151	400,000
Basic and diluted loss per share (RMB cents)	(10.36)	(1.30)

Diluted loss 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 2021, the Group has no potential dilutive ordinary shares (30 June 2020: Nil).

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

	Property and equipment RMB'000	Unaudited Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2021			
Net book value			
Opening amount as at 1 January 2021 (Audited)	53,007	54,782	52,244
Additions	7,931	6,894	—
Depreciation and amortisation	(5,523)	(4,806)	(6,001)
Closing amount as at 30 June 2021 (Unaudited)	55,415	56,870	46,243
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	(1,256)	(2,791)	(1,571)
Closing amount as at 30 June 2020 (Unaudited)	18,886	18,507	8,209

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For the six months ended 30 June 2021

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Unlisted debt investments		
At 1 January	—	—
Additions	—	27,360
Fair value change (Note 7)	—	723
	<u>—</u>	<u>28,083</u>

14 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	118,489	134,077
Less: provision for trade receivables	(15,623)	(16,012)
	<u>102,866</u>	<u>118,065</u>

As at 30 June 2021, trade receivables of the Group of approximately RMB17,561,000 have been pledged for certain bank borrowings of the Group (31 December 2020: RMB13,338,000) (Note 20(a)).

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

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	(16,012)	(2,794)
Decrease/(increase) in expected credit losses	389	(3,178)
At the end of the period	<u>(15,623)</u>	<u>(5,972)</u>

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14 TRADE RECEIVABLES (CONTINUED)

- (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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Up to 3 months	52,943	80,222
3 to 6 months	16,251	7,553
6 months to 1 year	34,340	27,798
Over 1 year	14,955	18,504
	<u>118,489</u>	<u>134,077</u>

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 2020 and 30 June 2021 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 2020:					
Weighted average expected loss rate	4%	6%	12%	28%	
Gross carrying amount (in thousand)	73,770	7,043	16,107	37,157	134,077
Allowance for expected credit losses (in thousand)	3,302	432	2,005	10,273	16,012
30 June 2021:					
Weighted average expected loss rate	2%	4%	9%	53%	
Gross carrying amount (in thousand)	46,113	15,478	37,232	19,666	118,489
Allowance for expected credit losses (in thousand)	993	603	3,523	10,504	15,623

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14 TRADE RECEIVABLES (CONTINUED)

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.

15 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract assets	133,279	106,733
Less: allowance for expected credit losses	<u>(6,175)</u>	<u>(5,905)</u>
	<u>127,104</u>	<u>100,828</u>
Contract liabilities	<u>(1,512)</u>	<u>(1,213)</u>

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

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Audited)
At the beginning of the period	(5,905)	(3,525)
Increase in expected credit losses	<u>(270)</u>	<u>(69)</u>
At the end of the period	<u>(6,175)</u>	<u>(3,594)</u>

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15 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

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 RMB3,734,000 (31 December 2020: RMB3,051,000) 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 2021, the Group has recognised impairment on contract assets of RMB6,175,000 (30 June 2020: RMB3,594,000).

16 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments		
Prepaid expenses (Note i)	8,299	4,360
Less: portion classified as non-current assets	—	(3,368)
	<u>8,299</u>	<u>992</u>
Other receivables		
Utilities and other deposits (Note ii)	3,754	5,940
Other receivables	2,669	774
	<u>6,423</u>	<u>6,714</u>

Notes:

- (i) Prepaid expenses included a prepayment to an independent third party of HKD4,800,000 (31 December 2020: HKD4,800,000), equivalent to RMB3,990,000 (31 December 2020: RMB4,042,000), for consulting services on investment decisions.

Pursuant to the service contract entered by the Company on 15 December 2019, total services fee is HKD8,000,000 and period of contract is 4 years which has commenced on 1 January 2020 and expected to end on 31 December 2023.

However, the Company entered into the agreement with the independent third party to terminate aforesaid service contract in August 2021, and the services fee for the remaining service period from 1 August 2021 to 31 December 2023, i.e. HKD4,800,000, had been refunded to the Company in August 2021.

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16 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (ii) Pledged deposit of approximately RMB Nil (31 December 2020: RMB1,000,000) with an independent third party which are pledged for bank borrowings of RMB Nil (31 December 2020: RMB7,200,000) as at 30 June 2021 (Note 20(a)).

Pledged deposits of approximately RMB500,000 (31 December 2020: RMB1,200,000) with an independent third party which are pledged for other borrowings of RMB2,742,000 (31 December 2020: RMB6,438,000) as at 30 June 2021 (Note 20(b)).

17 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Issued and fully paid:			
As at 31 December 2019, 1 January 2020 and 30 June 2020 (unaudited)		400,000,000	3,578
As at 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)	(a)	402,150,537	3,597

Note:

- (a) The Company issued and allotted 2,150,537 shares at a price of HKD5.74 per share as part of consideration upon the completion of the acquisition of a subsidiary in December 2020.

18 TRADE PAYABLES

Trade payables analysis is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	53,342	68,675

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For the six months ended 30 June 2021

18 TRADE PAYABLES (CONTINUED)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Up to 30 days	18,865	52,271
31 to 60 days	403	3,259
61 to 90 days	1,223	2,120
Over 90 days	32,851	11,025
	53,342	68,675

19 ACCRUALS AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Accrued salaries and wages	17,787	24,119
Other tax payables	14,850	13,512
Payables for purchase of equipment and intangible assets	2,232	6,363
Consideration payable for the acquisition of a subsidiary	1,574	1,574
Others	6,385	7,562
	42,828	53,130
Less: Portion classified as non-current liabilities	(1,574)	(1,574)
	41,254	51,556

The carrying amounts of the accruals and other payables (excluding non-financial liabilities) approximate their fair values as at 30 June 2021 and 31 December 2020.

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20 BANK AND OTHER BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current		
Bank borrowings (Note (a))	66,824	80,885
Other borrowings (Note (b))	2,742	6,438
Total	69,566	87,323

(a) Bank borrowings

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Interest-bearing bank borrowings	66,824	80,885

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	66,824	80,885

The carrying amounts of the bank borrowings approximate their fair values and are denominated in RMB. The weighted average interest rate is 5.0% per annum for the period ended 30 June 2021 (31 December 2020: 5.1%).

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20 BANK AND OTHER BORROWINGS (CONTINUED)

(a) Bank borrowings (Continued)

The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of RMB20,000,000 as at 30 June 2021 (31 December 2020: RMB30,000,000);
- (ii) buildings of the Group of approximately RMB11,212,000 as at 30 June 2021 (31 December 2020: RMB11,576,000);
- (iii) pledged bank deposits of approximately RMB13,453,000 held at bank as at 30 June 2021 (31 December 2020: RMB5,359,000);
- (iv) trade receivables outstanding from specific customers of the Group of approximately RMB17,561,000 as at 30 June 2021 (31 December 2020: RMB13,338,000) (Note 14);
- (v) other deposits of the Group of RMB Nil as at 30 June 2021 (31 December 2020: RMB1,000,000) (Note 16); and
- (vi) personal guarantee from the 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:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	2,742	6,438

The Group entered into a loan agreement dated 11 March 2019 with an independent third party at a principal amount of RMB7,700,000. The loan bear interest at 8.1% per annum and the loan had been fully repaid on 29 March 2021.

The Group entered into loan agreement dated 7 December 2019 with an independent third party at a principal amount of RMB10,500,000. The loans bear interest at 5.7% per annum. The loan is repayable in equal monthly instalments and will be settled on 26 December 2021.

All loans are denominated in RMB.

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20 BANK AND OTHER BORROWINGS (CONTINUED)

(b) Other borrowings (Continued)

As at 30 June 2021, the loans are secured by:

- (i) other deposits of RMB500,000 (31 December 2020: RMB1,200,000); and
- (ii) certain equipment of the Group of approximately RMB Nil (31 December 2020: RMB2,244,000).

The carrying amounts of other borrowings approximate their fair values as at 30 June 2021 and 31 December 2020.

21 LEASE LIABILITIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	16,066	15,792
One to two years	12,682	16,389
Two to five years	13,234	17,555
Over five years	—	444
Total lease payments	41,982	50,180
Less: future finance charges	(3,696)	(4,918)
Total lease liabilities	38,286	45,262
Less: portion classified as current liabilities	(14,206)	(13,510)
	24,080	31,752

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 leases of RMB1,766,000 for the period ended 30 June 2021 (30 June 2020: RMB1,656,000) 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 2021 is RMB8,168,000 (30 June 2020: RMB1,902,000).

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22 RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of the interim condensed consolidated financial statements, parties are considered to be related to the Group if the parties have the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Name of the related parties	Relationship with the Group
Mr. Song	Chairman, director and controlling shareholder
Mr. Wu Xiaohua (“ Mr. Wu ”)	Director and shareholder
Ms. Huang Liming	Mr. Song’s spouse
Ms. Chi Xianfang	Mr. Wu’s spouse
Mr. Lam Chun Hung Stanley (“ Mr. Lam ”)	Director
Ms. Wang Jing (“ Ms. Wang ”)	Director
Mr. Wu Fu-Shea	Senior management
Mr. Cao Xinjian	Senior management
Ms. Wei Huijuan	Senior management
Mr. Zhang Lei	Senior management
Mr. Wang Jialin	Senior management
Ms. Yu Hongcui	Senior management
Mr. Song Aihua	Senior management
Ms. Zhu Dongmei	Senior management
Mr. Jiang Jingxiang	Senior management

(a) Key management compensation

The compensation paid or payable to key management for employee services during the year ended 30 June 2021 and 2020 are shown below:

	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Salaries, bonuses, fees and allowances	6,322	4,028
Pension costs	131	87
Social security costs and other employee benefits	503	200
	6,956	4,315

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22 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related party balances

The amount due to a director is unsecured, bears interest at 4.75% per annum and repayable on demand.

23 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2021 (30 June 2020: Nil).