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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 2021

FINANCIAL HIGHLIGHTS

Revenue for the Reporting Period amounted to approximately RMB397,372,000, representing an increase of approximately 20.3% or approximately RMB67,082,000 as compared with 2020. The increase in revenue was mainly due to (i) a substantial increase of approximately 89.9% or RMB50,236,000 in revenue from our business in Northern China resulting from rapid development of our Group's business in this area; (ii) the steady growth of our Group's business in Southern China, with an increase of approximately 15.3% or approximately RMB31,727,000 in the relevant revenue as compared with 2020.

Gross profit for the Reporting Period amounted to approximately RMB129,196,000, representing an increase of approximately 9.9% as compared with 2020. This was mainly due to the steady growth of our business. Gross profit margin for the Reporting Period was approximately 32.5%, representing a decrease of approximately 3.1% as compared with 2020. The decrease in gross profit margin was mainly due to the fact that for orders from our Group's certain newly acquired customers, the testing, delivery and training of data systems were prolonged as a result of the containment measures of the pandemic and our operating costs increased accordingly.

Net loss for the Reporting Period amounted to approximately RMB75,987,000 (2020: net loss of RMB12,712,000). The increase in net loss was mainly due to:

1. an increase of RMB11,294,000 in the selling expenses as compared with 2020 for our Group to expand new markets and acquire new customer, especially: (i) a growth of approximately RMB7,929,000 in the marketing staff costs for sales and pre-sales staff; and (ii) a rise approximately RMB1,724,000 in brand promotion expenses;

2. a rise in operating cost caused by the prolonged testing, delivery and training of data systems for orders from certain newly acquired customers due to the implementation of containment measures of the pandemic;
3. an increase in administrative expenses and staff costs due to our Group's business expansion in Southern China, Northern China and Eastern China, which resulted in, among others: (i) an increase of approximately RMB12,247,000 in the administrative staff cost as compared with 2020; and (ii) approximately RMB5,473,000 increase in office rentals as compared to 2020 due to the increase in our office leasing areas;
4. a growth in consulting service fees of approximately RMB8,118,000 as compared with 2020 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to the application for trading resumption;
5. an increase of approximately RMB19,310,000 in the R&D expenses as compared with 2020 which was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020; and
6. the expected credit losses on financial and contract assets of RMB23,884,000.

Basic and diluted loss per share for the Reporting Period was RMB19.0 cents (2020: loss of RMB3.3 cents per share), which is mainly due to the net loss recorded during the Reporting Period.

The board (the “**Board**”) of directors (the “**Directors**”) of Suoxinda Holdings Limited (the “**Company**”) announces the audited consolidated results of our Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020.

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 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	3	397,372	330,290
Cost of sales		<u>(268,176)</u>	<u>(212,698)</u>
Gross profit		129,196	117,592
Selling expenses		(36,092)	(24,798)
Administrative expenses		(90,932)	(56,279)
Research and development expenses		(61,462)	(42,152)
Expected credit losses on financial and contract assets	8, 9	(23,884)	(15,598)
Other income		9,393	13,247
Other gains, net		<u>282</u>	<u>433</u>
Operating loss		<u>(73,499)</u>	<u>(7,555)</u>
Finance income	5	135	513
Finance costs	5	<u>(8,437)</u>	<u>(4,763)</u>
Finance costs, net	5	(8,302)	(4,250)
Share of profits/(losses) of associates		<u>2,313</u>	<u>(101)</u>
Loss before income tax	4	(79,488)	(11,906)
Income tax credit/(expenses)	6	<u>3,501</u>	<u>(806)</u>
Loss for the year		<u>(75,987)</u>	<u>(12,712)</u>
Attributable to:			
Owners of the Company		(76,238)	(13,108)
Non-controlling interests		<u>251</u>	<u>396</u>
		<u>(75,987)</u>	<u>(12,712)</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss for the year		<u>(75,987)</u>	<u>(12,712)</u>
Other comprehensive loss			
Items that may be reclassified to profit:			
— Currency translation differences		<u>(329)</u>	<u>(2,536)</u>
Total comprehensive loss for the year, net of tax		<u>(76,316)</u>	<u>(15,248)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(76,567)	(15,644)
Non-controlling interests		<u>251</u>	<u>396</u>
		<u>(76,316)</u>	<u>(15,248)</u>
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (<i>RMB cents</i>)	7	<u>(19.0)</u>	<u>(3.3)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		51,842	53,007
Intangible assets		87,051	54,782
Right-of-use assets		41,738	52,244
Investment in associates		12,652	10,339
Prepayments		—	3,368
Deferred tax assets		3,642	1,859
		<u>196,925</u>	<u>175,599</u>
Current assets			
Trade receivables	8	114,886	118,065
Contract assets	9	131,545	100,828
Prepayments		2,344	992
Other receivables		5,816	6,714
Pledged bank deposits		221	5,359
Cash and cash equivalents		21,955	74,184
		<u>276,767</u>	<u>306,142</u>
Total assets		<u>473,692</u>	<u>481,741</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		3,597	3,597
Other reserves		213,569	201,377
Accumulated losses		(79,472)	(639)
		<u>137,694</u>	<u>204,335</u>
Non-controlling interests		16,476	11,312
		<u>154,170</u>	<u>215,647</u>
Total equity		<u>154,170</u>	<u>215,647</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		17,776	31,752
Deferred tax liabilities		1,941	2,471
Other payables		—	1,574
Bank and other borrowings	<i>11</i>	617	—
		20,334	35,797
Current liabilities			
Trade payables	<i>10</i>	76,902	68,675
Accruals and other payables		74,741	51,556
Contract liabilities		24,904	1,213
Current income tax liabilities		3,635	8,020
Amount due to a director		51,220	—
Amount due to a substantial shareholder		3,000	—
Lease liabilities		15,095	13,510
Bank and other borrowings	<i>11</i>	49,691	87,323
		299,188	230,297
Total liabilities		319,522	266,094
Total equity and liabilities		473,692	481,741
Net current (liabilities)/assets		(22,421)	75,845
Total assets less current liabilities		174,504	251,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 statements 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 statements 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 statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and related interpretations. The consolidated financial statements have 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 statements 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 Going Concern Basis

The Group incurred a loss of approximately RMB75,987,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities of approximately RMB22,421,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis. The validity of which are based on the ability of the Group to maintain profitable and positive cash flow from the operation in foreseeable future. In additions, the directors consider the advances from an substantial shareholder and a director of RMB54,300,000 subsequent to the end of the reporting period will enhance the cash flow position of the Group. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made

to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

2.3 Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise IFRS, IAS 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 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
— Data solutions	257,741	196,924
— Sales of hardware and software and related services as an integrated service	92,783	97,201
— IT maintenance and support services	46,848	36,165
	<u>397,372</u>	<u>330,290</u>
Timing of revenue recognition		
— At a point in time	92,783	97,201
— Over time	304,589	233,089
	<u>397,372</u>	<u>330,290</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 statements 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	*	36,707
Customer B	71,407	*

* 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	392,412	267,626
Hong Kong	4,960	62,664
	397,372	330,290

All 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 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Amortisation of intangible assets	9,677	6,304
Depreciation of property and equipment	11,926	3,189
Depreciation of right-of-use assets	12,634	3,917
	<u>34,237</u>	<u>13,410</u>
Total amortisation and depreciation	34,237	13,410
Less: Capitalised in software development costs within intangible assets	(6,303)	—
	<u>27,934</u>	<u>13,410</u>
Employee benefit expenses (including directors' emoluments)	243,376	130,077
Expenses related to short-term leases	3,523	3,705
Auditor's remuneration	1,701	3,656
Expected credit losses on trade receivables (Note 8)	19,332	13,218
Expected credit losses on contract assets (Note 9)	4,552	2,380
	<u>243,376</u>	<u>130,077</u>

5 FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	135	513
	<u>135</u>	<u>513</u>
Finance costs		
— Interest expense on bank and other borrowings	(6,163)	(4,269)
— Finance charges on lease liabilities	(2,274)	(494)
	<u>(8,437)</u>	<u>(4,763)</u>
Finance costs, net	<u>(8,302)</u>	<u>(4,250)</u>

6 INCOME TAX (CREDIT)/EXPENSES

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	—	—
— The People Republic of China (“PRC”) enterprise income tax	27	3,789
Over-provision in prior years		
— PRC enterprise income tax	(1,215)	(1,329)
Deferred income tax	<u>(2,313)</u>	<u>(1,654)</u>
Income tax (credit)/expenses	<u><u>(3,501)</u></u>	<u><u>806</u></u>

(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 2021 (2020: 16.5%).

(ii) PRC enterprise income tax

Shenzhen Suoxinda Data Technology Co., Ltd. (“**Suoxinda Shenzhen**”) and Suoxinda (Beijing) Data Technology Co., Ltd. (“**Suoxinda Beijing**”) were recognised by relevant Mainland China authorities as National High and New Technological Enterprise (“**NHNTTE**”) 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 before income tax differs from the theoretical amount that would arise using the tax rates applicable to losses of the entities under the Group as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	(79,488)	(11,906)
Less: share of (profits)/losses of associates, net of tax	(2,313)	101
	<hr/>	<hr/>
Loss before income tax before share of (profits)/losses of associates	(81,801)	(11,805)
	<hr/> <hr/>	<hr/> <hr/>
Tax calculated at domestic tax rates applicable to losses of the respective companies	(15,328)	(2,627)
Expenses not deductible for tax purposes	7,568	3,766
Over-provision in prior years	(1,215)	(1,329)
Super deduction for research and development expenses (Note i)	(9,745)	(4,099)
Tax losses for which no deferred tax was recognised	15,775	5,095
Utilisation of tax losses previously not recognised	(556)	—
	<hr/>	<hr/>
Income tax (credit)/expenses	(3,501)	806
	<hr/> <hr/>	<hr/> <hr/>

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 2020 and 2021.

7 LOSS PER SHARE

	Year ended 31 December	
	2021	2020
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(76,238)</u>	<u>(13,108)</u>
Weighted average number of ordinary shares in issue and shares granted under share awards scheme for the purpose of calculating basic earnings per share (Number of shares in thousand)	402,156	400,082
Effect of share awards scheme	55	—
Effect of share options	<u>1</u>	<u>—</u>
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (Number of shares in thousand)	<u>402,212</u>	<u>400,082</u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u>(19.0)</u>	<u>(3.3)</u>

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 and shares granted under share award scheme on 28 December 2021.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the issue 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.

Diluted loss per share for the years ended 31 December 2021 and 2020 are equal to basic loss per share because the impact of the exercise of the Company's outstanding share options and shares to be issued under share awards scheme has an anti-dilutive effect on the basic loss per share amounts presented. (2020: there are no dilutive potential ordinary shares).

8 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	150,230	134,077
Less: allowance for expected credit losses	<u>(35,344)</u>	<u>(16,012)</u>
	<u>114,886</u>	<u>118,065</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	109,131	107,130
USD	5,752	10,932
HKD	<u>3</u>	<u>3</u>
	<u>114,886</u>	<u>118,065</u>

As at 31 December 2021, trade receivables outstanding from certain specific customers of the Group of approximately RMB3,131,000 have been pledged to certain bank borrowings of the Group (2020: RMB13,338,000) (Note 11(a)).

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(16,012)	(2,794)
Increase in expected credit losses	<u>(19,332)</u>	<u>(13,218)</u>
At the end of the year	<u>(35,344)</u>	<u>(16,012)</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	84,278	80,222
3 to 6 months	6,898	7,553
6 months to 1 year	20,420	27,798
Over 1 year	38,634	18,504
	<u>150,230</u>	<u>134,077</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 2020 and 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 (<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
31 December 2021:					
Weighted average expected loss rate	7%	8%	27%	51%	
Gross carrying amount (<i>in thousand</i>)	55,121	31,211	14,807	49,091	150,230
Allowance for expected credit losses (<i>in thousand</i>)	3,664	2,451	4,036	25,193	35,344

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 1 January
	2021	2020
	RMB'000	RMB'000
Contract assets	142,002	106,733
Less: allowance for expected credit losses	(10,457)	(3,525)
	<u>131,545</u>	<u>47,624</u>
Contract liabilities	<u>(24,904)</u>	<u>(12,789)</u>

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	(5,905)	(3,525)
Increase in expected credit losses	(4,552)	(2,380)
At the end of the year	<u>(10,457)</u>	<u>(5,905)</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 (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.

The following table shows the revenue recognised during the year ended 31 December 2020 and 2021 related to carried-forward contract liabilities:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	<u>1,213</u>	<u>12,789</u>

10 TRADE PAYABLES

Trade payables analysis is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>76,902</u>	<u>68,675</u>

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	39,399	52,271
31 to 60 days	8,528	3,259
61 to 90 days	2,690	2,120
Over 90 days	<u>26,285</u>	<u>11,025</u>
	<u>76,902</u>	<u>68,675</u>

The carrying amounts of the trade payables approximate their fair values as at 31 December 2020 and 2021. The trade payables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	70,056	65,737
HKD	3	2
USD	<u>6,843</u>	<u>2,936</u>
	<u>76,902</u>	<u>68,675</u>

11 BANK AND OTHER BORROWINGS

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Bank borrowings (<i>Note (a)</i>)	617	—
	<u>617</u>	<u>—</u>
Current		
Bank borrowings (<i>Note (a)</i>)	49,691	80,885
Other borrowings (<i>Note (b)</i>)	—	6,438
	<u>49,691</u>	<u>87,323</u>
Total	<u><u>50,308</u></u>	<u><u>87,323</u></u>

(a) Bank borrowings

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	<u><u>50,308</u></u>	<u><u>80,885</u></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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	49,691	80,885
In the second year	617	—
	<u><u>50,308</u></u>	<u><u>80,885</u></u>

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

The weighted average interest rate is 5.3% per annum for the year ended 31 December 2021 (2020: 5.1%).

As at 31 December 2021, the Group had aggregate banking facilities of RMB57,000,000 (2020: RMB108,000,000). Unused facilities as at the same date amounted to RMB20,360,000 (2020: RMB31,315,000). The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of RMB11,550,000 as at 31 December 2021 (2020: RMB30,000,000);
- (ii) building of the Group of approximately RMB10,852,000 as at 31 December 2021 (2020: RMB11,576,000);
- (iii) pledged bank deposits of approximately RMB221,000 held at bank as at 31 December 2021 (2020: RMB5,359,000);
- (iv) trade receivables outstanding from certain specific customers of the Group of approximately RMB3,131,000 as at 31 December 2021 (2020: RMB13,338,000) (Note 8);
- (v) other deposits of the Group of RMB500,000 as at 31 December 2021 (2020: RMB1,000,000); 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:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	—	6,438
One to two years	—	—
	—————	—————
	—	6,438
Less: portion classified as current liabilities	—	(6,438)
	—————	—————
	—	—
	=====	=====

The Group entered into loan agreements dated 11 March 2019 and 7 December 2019 with an independent third party at a principal amount of RMB7,700,000 and RMB10,500,000 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 have been fully settled on 29 March 2021 and 26 December 2021, respectively. As at 31 December 2020, the loans were secured by:

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

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

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year ended 31 December 2021 (2020: 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

BUSINESS REVIEW FOR 2021

2021 remains a year of exceptional significance to the development of fintech and the digital transformation of finance in China. In 2021, which is the first year of the 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (the “**Five-Year Plan**”), the digital economy has maintained a healthy development, and the wave of digital transformation continuously has surged across industries. With the increasing emphasis on technology empowerment and digital innovation, financial institutions have continuously integrated their financial business with information technology, which has promoted the healthy and sustainable development of the digital ecology in finance, opened up a new pattern for the digital transformation of finance, and brought new opportunities to our development and growth.

Meanwhile, the COVID-19 pandemic is still affecting the operation of society in general. Although it was better controlled than in 2020, the pandemic resurged from time to time in different cities, which disrupted our communication with customers and hindered the implementation of projects, resulting in prolonged cycles of certain projects and affecting the recognition of operating revenue.

In the face of opportunities and challenges, riding on our technological competence in independent innovation, deep understanding of data intelligence application scenarios, rich experience in serving banks, and international and compound talent barriers, we have a firm strategic determination to overcome challenges, seize opportunities to create a competitive advantage in the focused field, and to become a first-class company in the intelligent marketing industry. We have improved ourselves amid challenges and enhanced our capability while facing tests. We have made unswerving efforts on business development, product research and development, talent development, marketing and so forth to make innovation in solutions and products for the market and customers, and provide a full range of professional services, in a bid to help customers to achieve data-driven digital transformation.

We experienced a robust growth in operating revenue in 2021 which amounted to approximately RMB397 million, representing an increase of approximately 20.3% as compared with 2020. Revenue from data solutions, our principal business, amounted to RMB258 million, representing an increase of approximately 30.9% as compared with 2020. Our Company made significant progress in business expansion in 2021. The value of newly signed sales contracts was RMB449 million, representing an increase of 64% as compared with 2020, which has laid an important foundation for our Company's sustainable growth.

1. Business Expansion: Continuous deepening of cooperation with recurring customers and making constant breakthroughs in acquisition of new customers.

In the past year, our Company was recognised by the market with our professional strength and solid reputation. We have received increasing number of orders from recurring and new customers creating a market landscape with diversified customers, diversified scenarios and nationwide coverage. Our customers include diversified financial institutions, such as banks, insurers, securities firms, funds, financial holding groups and bank card organisations. Our Company assisted them in improving their all-round technological capabilities in digital transformation.

Putting in more efforts to enhance our relationships with leading banks. As a technology company that has cooperated with more than 80% of the leading banks in China, our Company has maintained long-term and in-depth cooperative relationships with large state-owned banks and national joint-stock banks. During the Reporting Period, we continuously sought cooperation opportunities with several leading banks that we had maintained long-term and stable cooperative relationships with. Apart from deepening the cooperation based on previous cooperation projects, we also constantly explored new cooperation opportunities in new fields and scenarios. We served 11 out of the 12 national joint-stock banks in the past year. For example, we have been cooperating with a leading joint-stock bank for nearly a decade and have been providing it with products and technical services based on data and intelligent marketing. We have constantly gained the trust of such customer and maintained a stable cooperative relationship with it. During the Reporting Period, we collaborated with such bank on more than 10 projects, including intelligent marketing platform, customer experience system, digital operation analysis system, wealth management platform, intelligent financial marketing system, user portrait analysis platform and big data platform, which fully reflects the customer's continued trust and recognition of us. During the Reporting Period, our contract renewal rate with leading banks reached 100%. We continuously expanded our business scale, in particular, our cooperation projects with eight banks have value over RMB10 million.

We forged ahead and won important new customers. On one hand, we continuously consolidate and deepen the cooperation with recurring customers. On the other hand, we actively attract new customers and make new progress. By leveraging the rich experience accumulated in serving large banks for many years and our upgraded products, we actively empower financial institutions to pursue digital transformation, facilitating the development of digital inclusive finance. The newly acquired customers not only include national joint-stock banks such as Industrial Bank and China Bohai Bank, but also small and medium-sized banks such as Bank of Nanjing, Liaoshen Bank, Jiangsu Suzhou Rural Commercial Bank, Shunde Rural Commercial Bank, Great Wall West China Bank and Blue Ocean Bank. In addition, there are also non-bank financial institutions including China UnionPay Data Services, CITIC-Prudential, China Merchants Securities and Great Wall Securities.

Making innovation and breakthroughs to expand businesses into new areas. With the in-depth development of digital transformation in the financial industry, various new scenarios and changes have emerged in the external environment and user needs. Focusing on the main scenarios and demands for digital transformation of finance, we consolidate our existing advantageous businesses and keep up with the new demands of the industry to provide data empowerment and marketing support for customers' wealth management, private banking, corporate business, small and micro enterprises and other key fields. We have entered into certain agreements with three national joint-stock banks in Southern China, Northern China and Eastern China in relation to cooperation projects about wealth management data analysis and customer management, which set a benchmark for us to further expand this business across the country.

Expanding our geographic presence to basically cover the major markets in China. We continuously expanded our geographic presence in the past year, established new branches and widened our business coverage in major markets in China. Our headquarters officially settled in Hangzhou during the Reporting Period, marking the start of our new strategy. In the meantime, we continue to put in more efforts in three markets of Southern China, Eastern China and Northern China, enabling our businesses to grow continuously. Moreover, we had a good start in our new markets in the northeastern and southwestern parts of China, and signed deals with key customers, which has laid a foundation for further development in these two regions.

Seeking synergistic development and achieving good results in mergers and acquisitions (“M&A”). We completed the acquisition of Shenzhen Yinxing Intelligent Data Co., Ltd. (深圳銀興智能數據有限公司)(“**Yinxing Intelligent**”), a Hadoop service provider in China, in December 2020, in order to enhance technical and service capabilities in the underlying platform of big data. Over the past year, with the support of our Group, Yinxing Intelligent experienced rapid development in business, with a year-on-year increase of approximately 76% in its revenue during the Reporting Period creating multiple cross-selling opportunities with remarkable synergies. This also shows the correctness and significance of our acquisition strategy.

2. *Expansion in Research and Development (“R&D”): Upgrading and optimising the product portfolios, and increasing customer cases.*

Innovation is the vitality of technology companies. In the past year, we recognized the continuous importance and increased investment in technology R&D and product innovation, as well as put in more efforts to promote the independent R&D, promotion and application of advanced technologies such as artificial intelligence (“**AI**”) and big data analysis. During the Reporting Period, our Company's R&D expenses increased by approximately 45.8% as compared with that in 2020, and R&D expenses accounted for approximately 15.5% of our annual revenue. There were 55 new patent applications and 35 new software copyright certificates, and the number of our professional technicians increased by approximately 83%.

Lingxi Integrated and Intelligent Marketing Platform Series was iterated and optimised. “Lingxi”, our blockbuster product series in the field of intelligent marketing, has won high praise in the market. It obtained awards including the Chinese Best Data Analysis Technology Award (Marketing) from The Asian Banker. Based on the product line, we continuously iterated and optimised “Lingxi” product series according to market demands and technological updates, so as to adapt to new market changes and a wider range of scenarios. In 2021, Lingxi product series was applied to the projects of multiple customers, including China CITIC Bank Credit Card Center, Bank of Dongguan, Shenzhen Rural Commercial Bank, China Unionpay Data, China Merchants Securities, Guosen Securities and Great Wall Securities, which established an important benchmark for the application of our innovative standardised products in the banks and securities industries.

Making important progress in the R&D of AI products. During the Reporting Period, we upgraded the model management platform, unveiled the industry’s first model factory solution, introduced the Micro-segmentation Meter Version 1.0 and published the Interpretable Machine Learning: Models, Methods and Practices, which is the first book in relation to interpretable machine learning in China. These industry-leading products and technologies are being successively applied to different customers’ business scenarios, which facilitate technology empowerment and business innovation.

Innovating and developing data platform products. During the Reporting Period, we recruited a team that had been engaged in the data platform business for many years, and established a data platform division to strengthen the capabilities in the construction and operation of the underlying data platform. The team has made significant progress in product development and customer development within a short period of time. It has successively launched a series of data platform products, such as data asset management platform, data warehouse/data mart, and data management and integration development suite, which have been applied in seed users. It expands our product offering for further growth in the future.

3. *Talent Training: Putting in more efforts on talent introduction and equity incentives to build solid talent barriers.*

We always recognize talents as the first core competitiveness. During the Reporting Period, our Company accelerated the expansion and training of a high-quality, professional talent team, and the number of experts and high-level technicians increased significantly, which created strong talent barriers. The strong talent team provides a comprehensive support for our Company’s market expansion, product development and service capabilities. Through an open and enlightened talent introduction strategy, our Company attracted high-level talents in the industry and increased the proportion of technicians. Our total number of employees increased by approximately 38% in 2021, with the number of core employees and technicians increased by approximately 20% and 75% respectively.

In 2020, we adopted a share option scheme and a share award scheme to motivate high-performing employees and those in key positions, and to effectively retain key talents to ensure their long-term high performance and lead and guide other employees, aiming to create a good ecosystem of incentives and establish a highly stable team. At the same time, our share option scheme and share award scheme have a wide coverage to allow more grass-roots employees to participate in the process of organisational development, which increase the long-term engagement between employees and the organisation, and develop a multi-level community of destiny, career and interests.

4. *Marketing: Increasing brand influence which boosts our Company's business development.*

A continuous increase in the reputation and influence of our Company's brand is very important to the success of our business, especially in the financial industry that we serve. Well-known and reputable suppliers are more likely to win the favour of customers. To stand out from the fierce competition, we must put in more efforts on marketing and brand building in order to make the brand as our important moat.

We enhance brand exposure and market our products and solutions through online and offline integrated marketing campaign. On one hand, we have gained more exposure opportunities by strengthening communication and interaction with the media. Our views have appeared in reports of official media for multiple times, such as Financial News, China Banking and Insurance News, Securities Daily and China.com.cn, which enhanced our market influence and brand reputation. On the other hand, by hosting or participating in online and offline market activities, we are able to reach target customers more accurately, and demonstrated our technical strength and leading position in big data and AI, and enhanced customers' awareness and trust in us.

In September 2021, an internationally-renowned research firm IDC released a report about market shares of IT solutions in the Chinese banking industry for 2020. We came second in terms of market share among the first-class players in the customer resource management solutions market. As defined by IDC, intelligent marketing is part of the customer resource management solutions market. In the report, IDC believes that "the Company is among the first-class players as it has been focusing on the intelligent marketing of the banking industry for many years and accumulates a complete set of sophisticated intelligent marketing systems and related data platform and data analysis services, with marketing and customer operations as application scenarios".

During the Reporting Period, our Company won more than 20 honours and awards, which further enhance our reputation and influence. The honours and awards include the Chinese Best Data Analysis Technology Award (Marketing) from The Asian Banker Magazine, China's Top 10 Fintech Innovations from The Banker Magazine, IDC China FinTech Top 50, CCID Consulting Top 50 Chinese Pioneer Enterprises in Digital Transformation of Finance, and EqualOcean Intelligence Top 35 Financial IT Service Providers in China (Listed Companies).

List of honours and awards in 2021

Month	Name of awards	Organiser
January	Best Small-and Mid-cap Stocks	Zhitongcaijing.com
January	Intelligent Marketing Analysis Technology Award	Retail Banking Magazine
April	Excellent Partner Organisation	Bank of Dongguan
June	China's Leading Brand in Fintech and Artificial Intelligence in 2021	Organizing committee of the Chinese International Financial and Technology Summit in 2021
June	Excellent Solution for Industrial Digitisation in 2021	Big Data and S&T Communication Professional Committee under the Chinese Society for Science and Technology Journalism
July	Technology Innovation Application Golden Award	China Financial Certification Authority (CFCA), Cebnet.com.cn
July	Chinese Best Data Analysis Technology Award (Marketing)	The Asian Banker Magazine
July	Leading Enterprise in Data Intelligence in China's Financial Industry in 2021	Organizing committee of the China Finance Summit
July	Chinese Fintech Influencers in 2021	Organizing committee of the China Finance Summit
August	Financial and Artificial Intelligence Engineering Technology Research Centre in Guangdong Province	Department of Science and Technology of Guangdong Province
September	IDC China FinTech Top 50 in 2021	IDC China
September	China's Top 10 Fintech Innovations in 2021	The Banker Magazine
November	Top 50 Chinese Pioneer Enterprises in Digital Transformation of Finance in 2021	CCID Consulting
November	Top 35 Financial IT Service Providers in China (Listed Companies)	EqualOcean Intelligence
December	Top 100 High-Growth Enterprises in Shenzhen in 2021	Shenzhen Enterprise Evaluation Association
December	2021 Marketing Technology Leading Enterprise	China Internet Weekly of the Chinese Academy of Sciences

OUTLOOK FOR 2022

With regard to the outlook on China's overall business environment in 2022, from a macro point of view, 2022 will be a critical period for the full implementation of the 14th Five-Year Plan. In 2022, China's economic development will be guided by the general principle of "prioritising stability while pursuing progress", and its Gross Domestic Product ("GDP") is poised to increase by approximately 5.5%. New infrastructure and new industries will continuously drive the growth in China economy. From the perspective of the industry we are in, digitalisation, intelligentisation and localisation have become three major growth drivers in the IT field. From the perspective of our customers, financial condition and profitability of financial institutions continue to improve and will put greater emphasis on digital transformation and increase investment in fintech, which will provide us with more room for development.

The intensive release of a series of policies at the beginning of 2022 provide policy-based and system-based guarantees for the development of this year and the next few years. The State Council announced a plan to facilitate the development of the digital economy in the 14th Five-Year Plan period in January 2022, which proposed to take data as the key element and focus on the deep integration of digital technology and the real economy to strengthen the construction of digital infrastructure, perfect the digital economy governance system, and push forward with both digital industrialisation and industrial digitisation, so as to develop and enhance China's digital economy and provide strong support to achieve digitalisation in China. The added value of the core industries in the digital economy will account for 10% of GDP by 2025. At the same time, the People's Bank of China released its Fintech Development Plan for 2022 to 2025, emphasising the need to promote high-quality digital transformation of finance and improve the modern financial system that adapts to the development of the digital economy. China, which adheres to the principle of digitally-driven development and bases on strengthening the application of financial data elements, will focus on accelerating the digital transformation of financial institutions and strengthening the prudential regulation on fintech to inject data elements into the whole process of financial services and integrate digital ideas throughout the entire chain of business operations. Emphasis will be put on technology-driven and data-empowered financial innovation. The fintech sector will move from 'building pillars and beams' to 'building momentum' on the basis of 'accumulation'. China will strive to bring about a great leap forward in the overall level and core competence of its financial technology by 2025.

We will focus on three strategies to create unique competitive advantages in 2022: Firstly, we will focus on the data track of the financial sector, and we will deepen our cooperation with leading financial institutions, aiming to become the top brand of data intelligence and marketing technology in the financial industry. Secondly, we will build a talent team which focuses on selecting, training and retaining talents in the data field, with a view to establish an all-round compound talent structure, with an aim to create the effect of agglomeration and gain a long-term advantage. Thirdly, we will build industry barriers by

putting in more efforts to establish an end-to-end technology and service system covering from data platform, data analysis, data application to data operation, with a view to create unique industry barriers.

In order to achieve the above strategic planning objectives, we will develop the four growth engines including market expansion, technology R&D, ecological cooperation, and investment and M&As, in order to drive rapid growth and create all-round competitiveness.

For market expansion, we will keep an eye on top financial customers and broaden small and medium-sized financial markets. We can vertically and horizontally deepen our cooperation with leading financial institutions, and move from retail banking business to wealth management, private banking, corporate business, small and micro enterprises and other business areas. For small and medium-sized financial institutions, we will replicate successful cases to quickly cover more customers. In the meantime, we will enhance our cooperation with partners including CCB Fintech, Ping An OneConnect and China UnionPay Data Services, so that more small and medium-sized financial institutions will be empowered to realise digital transformation and business innovation.

As far as technology R&D is concerned, we will seize the opportunities of digital transformation and information technology application innovation, continuously increase investment in technology, improve R&D and innovation capabilities, promote the standardisation of products and delivery, and optimise the product portfolio as well as promotion and application, with a view to maintain the leading position in the industry and form competition barriers.

In terms of ecological cooperation, we will strengthen cooperation with technology giants and large fintech companies, and actively build an ecosystem with upstream and downstream partners, so as to build capability in integrated solutions, optimise customer experience, and enhance market competitiveness.

In terms of investment and M&As, we will accelerate the integration of teams or companies with synergies in business, technology, customers, etc., and promote the development of the businesses as a whole through investment and M&As.

We will continue to focus on the data sector in the financial industry, and with the advantage of our finance + data technology talent pool and end-to-end technology service system, we will strive to formulate a unique industry standard with a view to become a leading enterprise in intelligence and marketing technology in the financial industry.

FINANCIAL REVIEW

1 Revenue

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
— Data solutions	257,741	196,924
— Sales of hardware and software and related services as an integrated service	92,783	97,201
— Information technology (IT) maintenance and support services	46,848	36,165
	<u>397,372</u>	<u>330,290</u>

For the Reporting Period, we recorded revenue of approximately RMB397,372,000, representing an increase of approximately 20.3% or approximately RMB67,082,000 as compared with 2020. The increase in revenue was mainly due to (i) a substantial increase of approximately 89.9% or RMB50,236,000 in revenue from our business in Northern China resulting from rapid development of our Group's business in this area; (ii) the steady growth of our Group's business in Southern China, with an increase of approximately 15.3% or approximately RMB31,727,000 in the relevant revenue as compared with 2020.

This includes:

Revenue from the data solutions business was approximately RMB257,741,000, representing an increase of approximately 30.9% or approximately RMB60,817,000 as compared with 2020. The increase was mainly due to the continuous steady growth in orders from our Group's financial banking customers during the Reporting Period.

Revenue from sales of hardware and software and related services as an integrated service was approximately RMB92,783,000, basically flat with that of 2020.

Revenue from IT maintenance and support services was approximately RMB46,848,000, representing an increase of approximately 29.5% or approximately RMB10,683,000 as compared with 2020. The increase was mainly due to the continuous steady growth in orders from our Group's financial banking customers.

2 Gross profit and gross profit margin

For the Reporting Period, we recorded a gross profit of approximately RMB129,196,000, representing an increase of approximately 9.9% as compared with 2020. This was mainly due to the steady growth of our business. Gross profit margin for the Reporting Period was approximately 32.5%, representing a decrease of approximately 3.1% as compared with 2020. The decrease in gross profit margin was mainly due to the fact that for orders from our Group's certain newly acquired customers, the testing, delivery and training of data systems were prolonged as a result of containment measures of the pandemic and our operating costs increased accordingly.

3 Selling expenses

For the Reporting Period, we recorded selling expenses of approximately RMB36,092,000, representing an increase of approximately 45.5% or approximately RMB11,294,000 as compared with 2020. Selling expenses accounted for approximately 9.1% of our revenue for the Reporting Period (2020: approximately 7.5%). The increase in selling expenses was mainly due to our Group's enhancement of marketing capabilities and brand promotion, especially: (i) an increase of approximately 55.4% or approximately RMB7,929,000 in sales and pre-sales staff costs as compared with 2020; (ii) an increase of approximately 21.7% or approximately RMB1,724,000 in brand promotion expenses as compared with 2020.

4 R&D expenses

For the Reporting Period, we recorded R&D expenses of approximately RMB61,462,000, representing an increase of approximately 45.8% or approximately RMB19,310,000 as compared with 2020. Such expenses accounted for approximately 15.5% of our revenue (2020: approximately 12.8%). The increase in R&D expenses was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately 69.1% or approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020.

5 Administrative expenses

For the Reporting Period, we recorded administrative expenses of approximately RMB90,932,000, representing an increase of approximately 61.6% or approximately RMB34,653,000 as compared with 2020. The increase in administrative expenses was mainly because: (i) consulting service fees soared by approximately 100.8% or approximately RMB8,118,000 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to application for trading resumption; (ii) our office leasing area across the country increased from 2,470^m² during 2020 to 7,360^m² during the Reporting Period, with the office area nearly tripling in

size, resulting in approximately 36.9% or approximately RMB5,473,000 increase in office rentals as compared with 2020; (iii) the administrative staff cost increased by approximately 45.2% or approximately RMB12,247,000 as compared with 2020; and (iv) the expenses related to share based payments of approximately RMB5,772,000 arising from grant of share options and awarded shares during 2021.

6 Income tax credit

For the Reporting Period, we recorded income tax credit of approximately RMB3,501,000 (2020: income tax expenses of approximately RMB806,000). Such change 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 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 RMB75,987,000 (2020: net loss of RMB12,712,000). The increase in net loss was mainly due to:

1. an increase of RMB11,294,000 in the selling expenses as compared with 2020 for our Group to expand new markets and acquire new customer, especially: (i) a growth of approximately RMB7,929,000 in the marketing staff costs for sales and pre-sales staff; and (ii) a rise approximately RMB1,724,000 in brand promotion expenses;
2. a rise in operating cost caused by the prolonged testing, delivery and training of data systems for orders from certain newly acquired customers due to the implementation of containment measures of the pandemic;
3. an increase in administrative expenses and staff costs due to our Group's business expansion in Southern China, Northern China and Eastern China, which resulted in, among others: (i) an increase of approximately RMB12,247,000 in the administrative staff cost as compared with 2020; and (ii) approximately RMB5,473,000 increase in office rentals as compared to 2020 due to the increase in our office leasing areas;
4. a growth in consulting service fees of approximately RMB8,118,000 as compared with 2020 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to the application for trading resumption;

5. an increase of approximately RMB19,310,000 in the R&D expenses as compared with 2020 which was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020; and
6. the expected credit losses on financial and contract assets of RMB23,884,000.

8 Loss for the year attributable to owners of our Company

The loss for the Reporting Period attributable to owners of our Company was approximately RMB76,238,000 (2020: loss of approximately RMB13,108,000). Such change was mainly due to the increase in the net loss during the Reporting Period as mentioned above.

9 Loss per Share

Basic and diluted loss per share of our Company (the "Share") for the Reporting Period amounted to approximately RMB19.0 cents. Basic and diluted loss per Share for 2020 amounted to approximately RMB3.3 cents.

10 Liquidity and financial resources

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash outflows from operating activities	(12,039)	(89,592)
Net cash outflows from investing activities	(50,033)	(19,736)
Net cash inflows from financing activities	10,154	6,010

Besides the proceeds from Share Offer (as defined below), our working capital is primarily derived from internal resources and bank borrowings.

The balance of our Group's cash and cash equivalents as at 31 December 2021 was approximately RMB21,955,000, representing a decrease of approximately RMB52,229,000 as compared with cash and cash equivalents as at 31 December 2020.

A Operating activities

The net cash used in operating activities by our Group for the Reporting Period was approximately RMB12,039,000, which was decreased by approximately 86.6% from net cash used in operating activities of approximately RMB89,592,000 in

2020, which was mainly due to the slowing down of our Group's operating outflow as a result of the decrease in the growth of receivables and contract assets as well as the increase in payables.

B Investing activities

The net cash used in investing activities by our Group for the Reporting Period was approximately RMB50,033,000, which was mainly due to the purchase of equipment, intangible assets and other long-lived assets.

C Financing activities

The net cash generated from financing activities of our Group for the Reporting Period was approximately RMB10,154,000, which was mainly derived from advances of substantial shareholders of our Company.

11 Capital structure

Bank and other borrowings

As at 31 December 2021, we had short-term bank borrowings of approximately RMB49,691,000 and long-term bank borrowings of approximately RMB617,000.

Debt securities

As at 31 December 2021, our Group had no debt securities.

Contingent liabilities

As at 31 December 2021, our Group had no major contingent liabilities or guarantees.

Treasury policy

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

Gearing ratio

The gearing ratio as at 31 December 2021 was approximately 67.8% (31 December 2020: 40.5%). The increase in gearing ratio was mainly due to a increase of approximately RMB17,205,000 in bank and other borrowings during the Reporting Period.

Gearing ratio was calculated based on the aggregate sum of our total bank and other borrowings, amount due to a substantial shareholder and amount due to a Director divided by our total equity as at the end of the Reporting Period.

12 Pledge of assets

As at 31 December 2021, our Group's banking borrowings were secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of RMB11,550,000 (31 December 2020: RMB30,000,000);
- (ii) building of our Group of approximately RMB10,852,000 (31 December 2020: RMB11,576,000);
- (iii) pledged bank deposits of approximately RMB221,000 held at bank (31 December 2020: RMB5,359,000);
- (iv) trade receivables of approximately RMB3,131,000 owned to our Group by certain customers (31 December 2020: RMB13,338,000);
- (v) other deposits of RMB500,000 (31 December 2020: RMB1,000,000); and
- (vi) personal guarantees from Directors and their spouses.

13 Capital Commitments

As at 31 December 2021, our Group had no capital commitments.

14 Material acquisitions and disposal of subsidiaries, associated companies and joint ventures

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

15 Foreign exchange risk

As the majority of our business transactions, assets and liabilities are denominated primarily in the functional currencies of our Group's entities, our Group is exposed to a number of foreign currency risks. We 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 Share Offer" below, our Group intends to use the unutilised Net Proceeds (as defined below) of HK\$3.5 million as at 31 December 2021 for the development of AI in finance laboratories, display centre and office facilities on or before 31 December 2022. Save as disclosed, our Group currently has no other plans for material investments or capital assets.

OTHER INFORMATION

Remuneration policy and employment benefits

Our Group had 973 employees altogether in Mainland China and Hong Kong as at 31 December 2021. Our Group 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.

On 28 December 2021, 274,100 share options, representing approximately 0.07% of the total issued shares of our Company as at the date of this announcement, had been granted or agreed to be granted pursuant to the Share Option Scheme, and none of these options had been exercised, cancelled or lapsed under the Share Option Scheme. Details of the grant of share options were disclosed in the announcement of our Company dated 28 December 2021. As a result, the total number of Shares available for issue upon exercise of all share options to be granted under the Share Option Scheme was 39,725,900 Shares, representing approximately 9.74% of the total Shares in issue as at the date of this announcement.

The Share Award Scheme is administrated by our Board. On 28 December 2021, the Board has resolved to grant, subject to acceptance of the relevant grantees and other conditions, 5,972,322 restricted shares under the Share Award Scheme (the “**Restricted Shares**”) representing approximately 1.46% of the total issued shares of our Company as at the date of this announcement. Among which, 5,536,322 Restricted Shares had been awarded or agreed to be awarded up to the date of this announcement. Details of the grant of share awards were disclosed in the announcement of our Company dated 28 December 2021 and the circular of our Company dated 21 January 2022. As a result, the total number of Shares available for grant under the Share Award Scheme was 14,027,678 Shares, representing approximately 3.44% of the total Shares in issue as at the date of this announcement. Our Company has appointed Trident Trust Company (HK) Limited as the trustee of the Share Award Scheme during the Reporting Period.

Purchase, Sale or Redemption of our Company’s Listed Securities

Neither our Company, nor any of its 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. CG Code has been amended with effect from 1 January 2022. As this announcement covers the year ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code before the amendments, not the revised CG Code. 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 prior to August 2021, 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 Ms. Fan Wenxian) 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 auditors of our Company. Based on this review and discussions with the management and the auditors, the Audit Committee was satisfied that our Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present our Group's financial position and results for the year ended 31 December 2021.

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 and consequently no opinion or assurance conclusion 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 % of Net Proceed	Allocation of the Net Proceeds (HK\$ million)	Utilised Net Proceeds as at 31 December 2021 (HK\$ million)	Unutilised Net Proceeds as at 31 December 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 (Note)	20%	20.8	18.8	2.0	On or before 31 December 2022
Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen (Note)	35%	36.4	32.9	3.5	On or before 31 December 2022
Potential strategic acquisition to supplement our organic growth (Note)	6.35%	6.6	2.1	4.5	On or before 31 December 2022
Working capital and other general corporate purposes (Note)	18.65%	19.4	19.4	—	N/A
Total	100%	104.0	94.0	10.0	

Note: As disclosed in the announcement of our Company dated 24 December 2021, our Company originally intended to apply approximately 15.0% of the Net Proceeds from the Share Offer, or approximately HK\$15.6 million for the potential strategic acquisition to supplement our Group's organic growth. However, our Company has yet to identify new suitable targets for acquisition that our Board considers to be beneficial to our Group and our shareholders as a whole. As a result, our Board has resolved to re-allocate approximately HK\$9.0 million for potential strategic acquisition to supplement our Group's working capital and for general corporate purpose to enhance the efficiency in capital use. Our Board has also resolved to extend the timetable for using all the unutilized Net Proceeds to on or before 31 December 2022 for our Group's long term business development and better utilisation of the unutilized Net Proceeds.

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 our shareholders 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.

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

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chen Zhenping, Dr. Wu Fu-Shea and Mr. Wu Xiaohua; three non-executive Directors, namely, Mr. Song Hongtao, Dr. Mo Keqi and Mr. Jiang Senlin; and three independent non-executive Directors, namely, Mr. Tu Xinchun, Ms. Fan Wenxian and Dr. Chen Wei.