

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Suoxinda Holdings Limited

索信达控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3680)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

1. 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.
2. 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.
3. 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 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.
4. Basic and diluted loss per Share for the Reporting Period amounted to approximately RMB10.36 cents (1H2020: loss per Share of approximately RMB1.30 cents).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Suoxinda Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of our Company and our subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2020 (“**1H2020**”).

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	144,602	129,512
Cost of sales		<u>(93,766)</u>	<u>(91,762)</u>
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	5	119	(3,247)
Other income		4,376	4,032
Other (losses)/gains, net		<u>(79)</u>	<u>896</u>
Operating loss		<u>(38,787)</u>	<u>(3,058)</u>
Finance income	6	102	318
Finance costs	6	<u>(2,784)</u>	<u>(2,045)</u>
Finance costs, net	6	(2,682)	(1,727)
Share of losses of associates		<u>(151)</u>	<u>(237)</u>
Loss before income tax	5	(41,620)	(5,022)
Income tax credit/(expenses)	7	<u>314</u>	<u>(185)</u>
Loss for the period		<u>(41,306)</u>	<u>(5,207)</u>
Attributable to:			
Owners of the Company		(41,676)	(5,207)
Non-controlling interests		<u>370</u>	<u>—</u>
		<u>(41,306)</u>	<u>(5,207)</u>

		Six months ended 30 June	
		2021	2020
Note		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Loss for the period	<u>(41,306)</u>	<u>(5,207)</u>
	Other comprehensive income		
	<i>Items that may be reclassified to profit:</i>		
	— Currency translation differences	<u>(126)</u>	<u>1,451</u>
	Total comprehensive loss for the period, net of tax	<u>(41,432)</u>	<u>(3,756)</u>
	Total comprehensive loss for the period attributable to:		
	Owners of the Company	(41,802)	(3,756)
	Non-controlling interests	<u>370</u>	<u>—</u>
		<u>(41,432)</u>	<u>(3,756)</u>
	Loss per share for loss attributable to owners of the Company:		
	Basic and diluted loss per share (<i>RMB cents</i>)	8 <u>(10.36)</u>	<u>(1.30)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	9	55,415	53,007
Intangible assets	9	56,870	54,782
Right-of-use assets	9	46,243	52,244
Investment in associates		10,188	10,339
Prepayments		—	3,368
Deferred tax asset		1,347	1,859
		<u>170,063</u>	<u>175,599</u>
Current assets			
Trade receivables	10	102,866	118,065
Contract assets	11	127,104	100,828
Prepayments		8,299	992
Other receivables		6,423	6,714
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><u>449,282</u></u>	<u><u>481,741</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		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><u>183,282</u></u>	<u><u>215,647</u></u>

		30 June 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	24,080	31,752
Other payables		1,574	1,574
Deferred tax liabilities		2,209	2,471
		<u>27,863</u>	<u>35,797</u>
Current liabilities			
Trade payables	12	53,342	68,675
Accruals and other payables		41,254	51,556
Contract liabilities	11	1,512	1,213
Amount due to a director		53,000	—
Current income tax liabilities		5,257	8,020
Lease liabilities	14	14,206	13,510
Bank and other borrowings	13	69,566	87,323
		<u>238,137</u>	<u>230,297</u>
Total liabilities		<u>266,000</u>	<u>266,094</u>
Total equity and liabilities		<u>449,282</u>	<u>481,741</u>
Net current assets		<u>41,082</u>	<u>75,845</u>
Total assets less current liabilities		<u>211,145</u>	<u>251,444</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 (the “**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.

4 REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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
	<u>144,602</u>	<u>129,512</u>
Timing of revenue recognition		
— At a point in time	45,008	27,849
— Over time	99,594	101,663
	<u>144,602</u>	<u>129,512</u>

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

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

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	142,904	70,539
Hong Kong	1,698	58,973
	<u>144,602</u>	<u>129,512</u>

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

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

5 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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	51,570	46,097
Amortisation of intangible assets (<i>Note 9</i>)	4,806	2,791
Expenses related to short-term leases	1,766	1,656
Depreciation of right-of-use assets (<i>Note 9</i>)	6,001	1,571
Depreciation of property and equipment (<i>Note 9</i>)	5,523	1,256
(Reversal of expected credit losses)/expected credit losses on trade receivables (<i>Note 10</i>)	(389)	3,178
Expected credit losses on contract assets (<i>Note 11</i>)	270	69
	<u>270</u>	<u>69</u>

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(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)
	<u>(2,784)</u>	<u>(2,045)</u>
Finance costs, net	<u>(2,682)</u>	<u>(1,727)</u>

7 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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax credit/(expense)	564	(438)
Deferred income tax (charge)/credit	<u>(250)</u>	<u>253</u>
Income tax credit/(expense)	<u><u>314</u></u>	<u><u>(185)</u></u>

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

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for 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%).

8 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	2020
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u><u>(41,676)</u></u>	<u><u>(5,207)</u></u>
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u><u>402,151</u></u>	<u><u>400,000</u></u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u><u>(10.36)</u></u>	<u><u>(1.30)</u></u>

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).

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

	Property and equipment <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>
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)	<u>55,415</u>	<u>56,870</u>	<u>46,243</u>
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)	<u>18,886</u>	<u>18,507</u>	<u>8,209</u>

10 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (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 13(a)).

Movements on the Group's allowance for expected credit losses on 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	(15,623)	(5,972)

- (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
	118,489	134,077

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 credit 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
30 June 2021:					
Weighted average expected credit loss rate	2%	4%	9%	53%	
Gross carrying amount (<i>in thousand</i>)	46,113	15,478	37,232	19,666	118,489
Allowance for expected credit losses (<i>in thousand</i>)	993	603	3,523	10,504	15,623

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.

11 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	(6,175)	(5,905)
	<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	(270)	(69)
At the end of the period	<u>(6,175)</u>	<u>(3,594)</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 RMB3,734,000 (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).

12 TRADE PAYABLES

Trade payables analysis is as follows:

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

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	<u>32,851</u>	<u>11,025</u>
	<u>53,342</u>	<u>68,675</u>

13 BANK AND OTHER BORROWINGS

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

(a) Bank borrowings

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

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
	<hr/>	<hr/>

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%).

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);
- (v) other deposits of the Group of RMB Nil as at 30 June 2021 (31 December 2020: RMB1,000,000); and
- (vi) personal guarantee from directors of the Company and their spouses.

(b) Other borrowings

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

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

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.

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.

14 LEASE LIABILITIES

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (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
	<hr/>	<hr/>
Total lease payments	41,982	50,180
Less: future finance charges	(3,696)	(4,918)
	<hr/>	<hr/>
Total lease liabilities	38,286	45,262
Less: portion classified as current liabilities	(14,206)	(13,510)
	<hr/>	<hr/>
	24,080	31,752
	<hr/>	<hr/>

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

The Group's expenses related to short-term 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).

15 DIVIDENDS

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

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 have placed great emphasis on and continued to increase our investments in technology research and development (“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.

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 Reporting Period, 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 development 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 inter-disciplinary 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 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
	<i>RMB'000</i>	<i>RMB'000</i>
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

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 for 1H2020 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 northern China, southern 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 of approximately RMB41,306,000 (1H2020: RMB5,207,000). Such increase in net 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 of our Company (the “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.

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
	<i>RMB’000</i>	<i>RMB’000</i>
	(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. Our Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities, and other commitments can meet our funding requirements all the time.

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 an independent third party 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 RMBNil (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 RMBNil (31 December 2020: RMB2,244,000).

13 Capital commitments

Our Group had no capital commitment during the Reporting Period.

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

There were no 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.

OTHER INFORMATION

Employee and remuneration policy

Our Group had 873 employees in total 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.

Equity incentive plan

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

As at 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 issue under the Share Option Scheme was 40,000,000 Shares, representing approximately 9.95% of the total Shares in issue as at the date of this announcement.

The Share Award Scheme is administrated by our Board. As at 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 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 our subsidiaries purchased, sold or redeemed any of our Company's listed securities during the Reporting Period.

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

Compliance with the Corporate Governance Code

Our Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. Our Company had complied with all the applicable code provisions set out in the CG Code during the Reporting Period, save and except the following deviation:

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the 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 has provided quarterly updates, including quarterly financial information and management accounts to our Board during the Reporting Period, which was considered to be sufficient to provide general updates of our Company's performance, position and prospects to our Board. Since August 2021, our Company has provided all member of the 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

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 its code of conduct regarding Directors' dealing in our Company's securities. Specific enquiry has been made to all our Directors and our Directors have confirmed that they had complied with the Model Code throughout 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.

Interim dividend

Our Board did not recommend the payment of an interim dividend for the Reporting Period (1H2020: Nil).

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.

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.

Audit Committee and review of financial information

The audit committee of our Company (the “**Audit Committee**”, comprising all 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 our 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 our Company and internal control. Based on the review and discussions with the senior management and the auditor, the Audit Committee was satisfied that our Group’s unaudited interim condensed consolidated financial statements were prepared in accordance with applicable accounting standards and had fairly presented our Group’s financial position and results for the Reporting Period.

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

Events after the end of the Reporting Period

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

Publication of interim results announcement and interim report

This interim 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 interim report of our Company for the Reporting Period will be dispatched to the shareholders of our Company and made available on the same websites in due course.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

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

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

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

Hong Kong, 10 September 2021

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