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Suoxinda Holdings Limited

索信达控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3680)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS SUMMARY

Revenue for the Reporting Period amounted to approximately RMB172,238,000, representing an increase of approximately 19.1% as compared with the 1H2021. Among them, the revenue from the Group's core business, data solutions was approximately RMB131,136,000, accounting for approximately 76.1% of the total revenue during the Reporting Period, representing an increase of approximately 75.3% as compared with the 1H2021. This was mainly due to the effect of the Group's business strategic deployment in the past two years, which resulted in an increase in the amount of orders from financial banking customers..

Gross profit for the Reporting Period amounted to approximately RMB43,432,000, representing a decrease of approximately 14.6% as compared with the 1H2021. This was mainly due to the successive outbreaks of COVID epidemic in Shenzhen, Shanghai, Beijing and other cities during the Reporting Period. Under strict epidemic prevention measures such as static management and lockdown, (1) the testing and delivery cycle of the data analysis solution projects were prolonged, which in turn led to an increase in delivery costs; and (2) the revenue from the sales of hardware and software and related services as an integrated service, which have relatively higher gross profit decreased.

The net loss for the Reporting Period was approximately RMB37,484,000, representing a decrease of approximately 9.3% as compared with the 1H2021, while net loss excluding share-based payment expenses was approximately RMB23,074,000, representing a reduce in loss of approximately 44.1% as compared with the 1H2021. This was mainly due to (1) some of the Group’s pre-sales staff supported the delivery of projects, resulting in a reduction in the remuneration expenses of the sales team, and the change of certain marketing activities from offline to online, which resulted in a decrease in marketing expenses of approximately RMB4,760,000; and (2) the Group’s research and development technologies continued to mature and were converted into intangible assets of approximately RMB17,160,000, which resulted in a decrease in research and development expenses for the Reporting Period.

Basic loss per Share for the Reporting Period was approximately RMB9.12 cents and diluted loss per Share for the Reporting Period amounted to approximately RMB9.14 cents (1H2021: Basic and diluted loss per Share was approximately RMB10.36 cents).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Suoxinda Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2021 (“**1H2021**”).

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	172,238	144,602
Cost of sales		<u>(128,806)</u>	<u>(93,766)</u>
Gross profit		43,432	50,836
Selling expenses		(10,344)	(17,233)
Administrative expenses		(52,820)	(34,456)
Research and development expenses		(21,969)	(42,350)
Reversal of expected credit losses on financial and contract assets	5	5,312	119
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)		636	–
Other income		3,615	4,376
Other losses, net		<u>(85)</u>	<u>(79)</u>
Operating loss		<u>(32,223)</u>	<u>(38,787)</u>
Finance income	6	19	102
Finance costs	6	<u>(3,988)</u>	<u>(2,784)</u>
Finance costs, net	6	(3,969)	(2,682)
Share of losses of associates		<u>(1,363)</u>	<u>(151)</u>
Loss before income tax	5	(37,555)	(41,620)
Income tax credit	7	<u>71</u>	<u>314</u>
Loss for the period		<u>(37,484)</u>	<u>(41,306)</u>
Attributable to:			
Owners of the Company		(36,765)	(41,676)
Non-controlling interests		<u>(719)</u>	<u>370</u>
		<u>(37,484)</u>	<u>(41,306)</u>

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss for the period		<u>(37,484)</u>	<u>(41,306)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
– Currency translation differences		<u>458</u>	<u>(126)</u>
Total comprehensive loss for the period, net of tax		<u>(37,026)</u>	<u>(41,432)</u>
Total comprehensive loss for the period attributable to			
Owners of the Company		<u>(36,307)</u>	<u>(41,802)</u>
Non-controlling interests		<u>(719)</u>	<u>370</u>
		<u>(37,026)</u>	<u>(41,432)</u>
Loss per share for loss attributable to owners of the Company:			
Basic loss per share (RMB cents)	<i>8</i>	<u>(9.12)</u>	<u>(10.36)</u>
Diluted loss per share (RMB cents)	<i>8</i>	<u>(9.14)</u>	<u>(10.36)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	<i>9</i>	46,194	51,842
Intangible assets	<i>9</i>	97,709	87,051
Right-of-use assets	<i>9</i>	36,832	41,738
Investment in associates		14,289	12,652
Deferred tax assets		3,974	3,642
		<u>198,998</u>	<u>196,925</u>
Current assets			
Trade receivables	<i>10</i>	104,264	114,886
Contract assets	<i>11</i>	147,496	131,545
Prepayments		5,124	2,344
Other receivables		9,546	5,816
Pledged bank deposits		221	221
Cash and cash equivalents		29,916	21,955
		<u>296,567</u>	<u>276,767</u>
Total assets		<u>495,565</u>	<u>473,692</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		3,653	3,597
Other reserves		235,975	213,569
Accumulated losses		(123,831)	(79,472)
		<u>115,797</u>	<u>137,694</u>
Non-controlling interests		<u>15,757</u>	<u>16,476</u>
Total equity		<u>131,554</u>	<u>154,170</u>

		30 June 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	<i>14</i>	13,952	17,776
Deferred tax liabilities		1,676	1,941
Bank and other borrowings	<i>13</i>	6,281	617
		<u>21,909</u>	<u>20,334</u>
Current liabilities			
Trade payables	<i>12</i>	52,746	76,902
Accruals and other payables		47,467	74,741
Contract liabilities	<i>11</i>	6,211	24,904
Amount due to directors		100,735	51,220
Amount due to a substantial shareholder		–	3,000
Current income tax liabilities		3,651	3,635
Lease liabilities	<i>14</i>	13,108	15,095
Bank and other borrowings	<i>13</i>	78,820	49,691
Financial liabilities at FVTPL		39,364	–
		<u>342,102</u>	<u>299,188</u>
Total liabilities		<u>364,011</u>	<u>319,522</u>
Total equity and liabilities		<u>495,565</u>	<u>473,692</u>
Net current liabilities		<u>(45,535)</u>	<u>(22,421)</u>
Total assets less current liabilities		<u>153,463</u>	<u>174,504</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 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 2022 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 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 APPLICATION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (“**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. 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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue		
– Data solutions	131,136	74,805
– Sales of hardware and software and related services as an integrated service	24,589	45,008
– IT maintenance and support services	16,513	24,789
	<u>172,238</u>	<u>144,602</u>
 Timing of revenue recognition		
– At a point in time	24,589	45,008
– Over time	147,649	99,594
	<u>172,238</u>	<u>144,602</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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Mainland China	172,238	142,904
Hong Kong	–	1,698
	<u>172,238</u>	<u>144,602</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	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors’ emoluments)	148,267	112,018
Amortisation of intangible assets (<i>Note 9</i>)	6,502	4,806
Expenses related to short-term leases	490	1,766
Depreciation of right-of-use assets (<i>Note 9</i>)	6,787	6,001
Depreciation of property and equipment (<i>Note 9</i>)	6,594	5,523
Reversal of expected credit losses on trade receivables (<i>Note 10</i>)	(9,018)	(389)
Expected credit losses on contract assets (<i>Note 11</i>)	3,706	270
	<u>148,267</u>	<u>112,018</u>

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Finance income		
– Interest income on bank deposits	19	102
	<u>19</u>	<u>102</u>
Finance costs		
– Interest expense on bank and other borrowings	(1,064)	(1,280)
– Interest expense on amount due to directors	(2,282)	(312)
– Finance charges on lease liabilities	(642)	(1,192)
	<u>(3,988)</u>	<u>(2,784)</u>
	<u>(3,988)</u>	<u>(2,784)</u>
Finance costs, net	<u>(3,969)</u>	<u>(2,682)</u>

7 INCOME TAX CREDIT

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax (expenses)/credit	(526)	564
Deferred income tax credit/(charges)	597	(250)
Income tax credit	<u>71</u>	<u>314</u>

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

The Company's subsidiaries established in the PRC are subjected to the PRC Enterprise Income Tax rate of 25% for the six months ended 30 June 2022 (30 June 2021: 25%), while 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 2022 (30 June 2021: 15%), as these companies were recognised by relevant PRC authorities as National High and New Technological Enterprise ("NHNTE") and were entitled to a preferential Enterprise Income Tax rate from 2020 to 2023 and 2021 to 2024 respectively.

The Company's subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the six months ended 30 June 2022 (30 June 2021: 16.5%).

8 LOSS PER SHARE

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic loss per share (RMB'000)	(36,765)	(41,676)
Adjustment of profit/(loss) attributable to non-controlling interests of the subsidiary on conversion of convertible loans into subsidiary's capital (RMB'000)	(91)	–
Loss attributable to owners of the Company for the purpose of calculating diluted loss per share (RMB'000)	<u>(36,856)</u>	<u>(41,676)</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (Number of shares in thousand)	<u>403,311</u>	<u>402,151</u>
Basic loss per share (RMB cents)	<u>(9.12)</u>	<u>(10.36)</u>
Diluted loss per share (RMB cents)	<u>(9.14)</u>	<u>(10.36)</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 and 8 April 2022.

Diluted loss per share is calculated by dividing the loss attributable to owners of the Company by 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. Weighted average number of ordinary shares for the purpose of calculating diluted loss per share does not adjust for the effects of share awards and share options because (i) the exercise price of those share options are higher than the average market prices of the Company's shares; and (ii) the impacts of the shares to be issued under share awards scheme has anti-dilutive effects on the basic loss per share amounts presented. (Six months ended 30 June 2021: there are no dilutive potential ordinary shares).

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 2022			
Net book value			
Opening amount as at 1 January 2022 (Audited)	51,842	87,051	41,738
Additions (unaudited)	930	17,160	1,881
Disposals (unaudited)	(2)	–	–
Written off (unaudited)	(2)	–	–
Depreciation and amortisation (unaudited)	(6,594)	(6,502)	(6,787)
Exchange alignment (unaudited)	20	–	–
	<u>46,194</u>	<u>97,709</u>	<u>36,832</u>
Closing amount as at 30 June 2022 (Unaudited)	<u><u>46,194</u></u>	<u><u>97,709</u></u>	<u><u>36,832</u></u>
Six months ended 30 June 2021			
Net book value			
Opening amount as at 1 January 2021 (Audited)	53,007	54,782	52,244
Additions (unaudited)	7,931	6,894	–
Depreciation and amortisation (unaudited)	(5,523)	(4,806)	(6,001)
	<u>55,415</u>	<u>56,870</u>	<u>46,243</u>
Closing amount as at 30 June 2021 (Unaudited)	<u><u>55,415</u></u>	<u><u>56,870</u></u>	<u><u>46,243</u></u>

10 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	130,590	150,230
Less: provision for trade receivables	(26,326)	(35,344)
	<u>104,264</u>	<u>114,886</u>

As at 30 June 2022, trade receivables of the Group of approximately RMB21,385,000 have been pledged for certain bank borrowings of the Group (31 December 2021: RMB3,131,000) (Note 13(a)).

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

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	(35,344)	(16,012)
Decrease in expected credit losses	9,018	389
At the end of the period	<u>(26,326)</u>	<u>(15,623)</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Up to 3 months	48,297	84,278
3 to 6 months	7,741	6,898
6 months to 1 year	41,153	20,420
Over 1 year	33,399	38,634
	<u>130,590</u>	<u>150,230</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Financial assets are written off when there is no reasonable expectation of recovery.

The allowance for expected credit losses on trade receivables as of 31 December 2021 and 30 June 2022 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 2021: (audited)					
Weighted average expected loss rate	7%	8%	27%	51%	
Gross carrying amount (<i>in RMB'000</i>)	55,121	31,211	14,807	49,091	150,230
Allowance for expected credit losses (<i>in RMB'000</i>)	3,664	2,451	4,036	25,193	35,344
30 June 2022: (unaudited)					
Weighted average expected loss rate	4%	4%	25%	34%	
Gross carrying amount (<i>in RMB'000</i>)	38,472	15,048	24,580	52,490	130,590
Allowance for expected credit losses (<i>in RMB'000</i>)	1,704	575	6,087	17,960	26,326

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 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Contract assets	161,659	142,002
Less: allowance for expected credit losses	(14,163)	(10,457)
	<u>147,496</u>	<u>131,545</u>
Contract liabilities	<u>(6,211)</u>	<u>(24,904)</u>

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

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	(10,457)	(5,905)
Increase in expected credit losses	<u>(3,706)</u>	<u>(270)</u>
At the end of the period	<u>(14,163)</u>	<u>(6,175)</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 RMB8,099,000 (31 December 2021: 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 2022, the Group has recognised impairment on contract assets of RMB14,163,000 (30 June 2021: RMB6,175,000).

12 TRADE PAYABLES

Trade payables analysis is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	<u>52,746</u>	<u>76,902</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Up to 30 days	29,762	39,399
31 to 60 days	–	8,528
61 to 90 days	222	2,690
Over 90 days	<u>22,762</u>	<u>26,285</u>
	<u>52,746</u>	<u>76,902</u>

13 BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current		
Bank borrowings (<i>Note (a)</i>)	988	617
Other borrowings (<i>Note (b)</i>)	5,293	–
	<u>6,281</u>	<u>617</u>
Current		
Bank borrowings (<i>Note (a)</i>)	73,532	49,691
Other borrowings (<i>Note (b)</i>)	5,288	–
	<u>78,820</u>	<u>49,691</u>
Total	<u><u>85,101</u></u>	<u><u>50,308</u></u>

(a) Bank borrowings

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	73,532	49,691
In the second year	988	617
	<u>74,520</u>	<u>50,308</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(73,532)</u>	<u>(49,691)</u>
Amount due for settlement after 12 months	<u><u>988</u></u>	<u><u>617</u></u>

The carrying amounts of the bank borrowings approximate their fair values and are denominated in RMB. The weighted average interest rate is 4.9% per annum for the six months ended 30 June 2022 (31 December 2021: 5.3%).

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

- (i) corporate guarantee from independent third parties of RMB17,450,000 as at 30 June 2022 (31 December 2021: RMB11,550,000);
- (ii) buildings of the Group of approximately RMB10,488,000 as at 30 June 2022 (31 December 2021: RMB10,852,000);
- (iii) pledged bank deposits of approximately RMB221,000 held at bank as at 30 June 2022 (31 December 2021: RMB221,000);
- (iv) trade receivables outstanding from specific customers of the Group of approximately RMB21,385,000 as at 30 June 2022 (31 December 2021: RMB3,131,000) (Note 10);
- (v) other deposits of the Group of RMB1,000,000 as at 30 June 2022 (31 December 2021: RMB500,000); and
- (vi) personal guarantee from the directors of the Company and their spouses.

(b) Other borrowings

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	5,288	–
In the second year	5,293	–
	10,581	–

In June 2022, the Group entered into a sale and leaseback agreement with an independent third party to obtain a loan at a principal amount of RMB11,000,000. The loan bear interest at 9.2% per annum and is repayable in equal monthly installments by 2024.

The Group's other borrowings are secured by:

- (i) certain equipment of the Group of approximately RMB21,345,000 as at 30 June 2022 (31 December 2021: Nil); and
- (ii) other deposits of the Group of RMB1,000,000 as at 30 June 2022 (31 December 2021: Nil).

The carrying amounts of bank and other borrowings approximate their fair values as at 30 June 2022 and 31 December 2021.

14 LEASE LIABILITIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	14,150	16,537
One to two years	6,342	7,779
Two to five years	8,527	11,324
	<hr/>	<hr/>
Total lease payments	29,019	35,640
Less: future finance charges	(1,959)	(2,769)
	<hr/>	<hr/>
Total lease liabilities	27,060	32,871
Less: portion classified as current liabilities	(13,108)	(15,095)
	<hr/>	<hr/>
	13,952	17,776
	<hr/> <hr/>	<hr/> <hr/>

The Group leases various office premises and equipment 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 RMB490,000 for the six months ended 30 June 2022 (30 June 2021: RMB1,766,000) have been recognised in the interim condensed consolidated statement of comprehensive income.

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses for the six months ended 30 June 2022 is RMB8,334,000 (30 June 2021: RMB8,168,000).

15 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2022 (30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Analysis on industry background

Since 2022, “Financial Technology Development Plan (2022-2025)” formulated by the People’s Bank of China , “Guiding Opinions on the Digital Transformation of the Banking and Insurance Industry” formulated by China Banking and Insurance Regulatory Commission had issued the and other policy documents were issued successively, which provided a clear direction for the development of financial technology (“**fintech**”) and the digital transformation of financial institutions. Meanwhile, in the field of data intelligence business that the Company focuses on, the Ministry of Industry and Information Technology published the “14th Five-Year Plan for the Development of the Big Data Industry”, proposing to launch big data development and utilization in 12 major industries such as financial industry, to conduct pilot data element value assessment in areas with good data management foundation such as finance, to strengthen the application of big data in information consumption, financial technology and other fields, and to promote new modes such as precise portraits and intelligent recommendations. They all provide better opportunities for the further development of the Company.

Although under the overall macro trend and environment, fintech, financial digital transformation and the industry in which the Company operates are full of opportunities, the epidemic has brought a lot of challenges and pressures to the industry in the first half of the year. Several first-tier cities such as Shenzhen, Shanghai, and Beijing experienced outbreaks successively. Stringent epidemic prevention and control, remote work and other measures affected administrative processes and efficiency of many financial institutions. As a result, the operation of cooperative projects with related technology companies and the short-term operating income were adversely affected. However, in the long run, the prosperous development trend and bright prospects of financial technology and industrial digitalization will remain unchanged. We believe that with the joint efforts of various parties, we will overcome the difficulties, seize the opportunities, and usher in better development.

II. Business Review for the first half of the year

1. *Achieving significant growth in core businesses and being the champion of the intelligent marketing industry*

Despite the adverse impact of the pandemic in the first half of the year, the Company still experienced a steady growth in revenue. In the first half of 2022, the Company’s overall revenue was approximately RMB172,238,000, an increase of 19.1% as compared with the same period last year. In particular, revenue from data solutions, our core business, amounted to approximately RMB 131,136,000 million, a significant increase of 75.3% as compared with the same period last year. Under the aforesaid impact of the epidemic, the Company was still able to achieve such good results, which are closely related to the Company’s clear strategic positioning, excellent team of talents, strong technical capabilities, rich experience and sound market reputation. These are also the foundation for the Company to gain continuous recognition from customers, maintain steady development and cope with challenges at ease.

The Company has been focusing on data intelligence and marketing technology sectors in financial industry and has continuously achieved fruitful results. In the “Market Analysis Report on 2021 Chinese Banking IT Solutions” released by CCID Consulting in July this year, the Company ranked first in the banking intelligent marketing solutions market with its outstanding performance in the intelligent marketing sector. Its market share amounted to 32.28%, exceeding the combined total of the next three peer companies.

2. *Winning customers’ trust continuously and consolidating the foundation of business development*

The Company has maintained a very stable momentum of development in both market expansion and customer cooperation. First, we have maintained long-term and continuous cooperation with our recurring customers, and secondly, we have steadily promoted the finding of new customers.

In terms of customer types, the Company’s customers are mainly medium-to-large sized banking institutions, with a coverage rate of 80% for top-tier banks and 92% for joint-stock banks. In addition, our customers also include diversified financial institutions such as urban commercial banks, agricultural commercial banks, securities and insurance firms. Meanwhile, we continue to achieve breakthroughs in non-financial sectors. The Company’s products and service capabilities have continued to gain recognition from customers, maintaining a 100% renewal rate with key customers and thereby ensuring sustainable business growth.

On the main front of intelligent marketing, the Company continued to win the favour of its recurring customers, signing new projects with them again and continuing to carry out subsequent multi-phased projects, expanding its projects from the head office to branches. During the Reporting Period, the Company provided intelligent marketing related businesses for various national joint-stock banks, assisting banking institutions to leverage big data and artificial intelligence technologies in various specialized application areas, such as the construction of intelligent marketing systems for bank wealth management, retail customer data mining and digital marketing, scenario-based intelligent marketing for private banking customers, retail customer experience monitoring systems and intelligent marketing platforms for credit card centres, thereby allowing them to do a good job in customer management and services in those areas.

In addition, the Company also actively explored new business models and sought new areas of growth. For example, the Company has cooperated with a joint-stock bank in an innovative model of joint data modelling and joint operations to carry out precise marketing for the bank’s customers, which has led to important innovation and deepened breakthrough in cooperation model, which opened a new chapter for the future development of the joint operations business market. The Company’s customer marketing joint operation projects with another joint-stock bank and two urban commercial banks have also been carried out in an orderly manner, with innovative joint operations around data analysis and digital marketing becoming a new growth engine for the Company.

3. *Strengthening independent innovation capabilities to help customers enhance the value of their data*

The Company insists on deepening in the professional track, specialising and refining, creating innovative products and technology solutions with special features, thereby gaining a unique competitive edge. The Company focuses on the fields of data intelligence and marketing technology, strengthens its product innovation capability, strives for independent research and development (“R&D”) and promotion and application of core technologies, and continuously upgrades and optimises its product portfolio. As of 30 June 2022, the Company has applied for 100 patents, including 76 invention patents, and obtained 135 computer software copyrights.

In terms of product development, based on the release of EAST 5.0 and the new situation in and urgent demand for regulatory reporting, the Company has launched the “Spirit Moment Panoramic Regulatory Compliance Platform”, which has been applied by customers such as Liaoshen Bank and has therefore opened up new business areas. Following the idea of micro-services and centralization, the Spirit Moment Panoramic Regulatory Compliance Platform meets the regulatory compliance requirements of financial institutions in a “panoramic” manner and helps financial institutions complete the regulatory data submission work in a timely, accurate, complete and efficient manner.

At present, the Company has independently developed the unique Link-C integrated intelligent marketing product series, model factory, customer micro-segmentation instrument, model management platform, interpretable machine learning and other AI product series, as well as panoramic regulatory compliance product series, big data platform, data warehouse, data governance, data asset management platform and other big data product series, thereby developing and delivering big data, artificial intelligence and marketing technology-related solutions, tools platform and professional consulting services to major financial institutions and corporate clients, using independent and controllable technology and products to empower the digital transformation and business innovation of the financial industry.

4. Opening up for a win-win situation and actively constructing a diversified ecological cooperation system

The Company actively seeks cooperation with ecosystem related enterprises in the ecosystem to achieve win-win cooperation with ecological partners through the construction of an open ecological cooperation system.

In March 2022, the “Suoxinda Link-C Intelligent Marketing Platform” jointly developed by the Company and Alibaba Cloud has been officially launched, which is the first example of Alibaba Cloud’s successful ecological products in the field of big data in the financial industry. At the same time, the Company passed the Alibaba Cloud Database Technology Service Partner certification, and received the Alibaba Cloud product eco-integration certification. The two parties have also started cooperation in the areas of data center and financial cloud to provide customers with one-stop cloud computing, big data solutions and full lifecycle services covering consultation, delivery and operation and maintenance.

In addition to the launch of the “Suoxinda Link-C Intelligent Marketing Platform” and “Suoxinda Customer Micro-segmentation Model” on Huawei Cloud, the Company has further strengthened cooperation with Huawei in the areas of data center construction, data asset management, and information technology application innovation. During the Reporting Period, the Company passed the Huawei Cloud CSSP (Certified Service Solution Partner) certification and worked with Huawei to provide customers with cloudification consulting, cloudification services, and cloud services. Meanwhile, the Company has strengthened the information technology application, innovation and adaptation of products, and has launched the compatibility adaptation certification of the Lingji Data Catalog Software and the Link-C Label Portrait Platform with Huawei Kunpeng Cloud to jointly provide customers with localized full stack implementation and deployment solutions.

In addition, the Company has further strengthened its cooperation with financial technology companies such as CCB Fintech, PAOB and CUP Data, leveraging its strengths in data intelligence and marketing technology to assist these financial technology companies in providing technology services to their parent financial companies while empowering more institutions to achieve digital transformation and business innovation at the same time.

5. *Improving talent introduction and cultivation mechanism to enhance the efficiency and capability of the team*

The Company takes talent introduction and talent cultivation as important work. On the one hand, through the open talent introduction mechanism, we accelerate the introduction of excellent technical talents to build a all-rounded team of highly skilled, specialized and top talents; on the other hand, through continuously optimizing internal staff management, strengthening cultivation and optimizing the incentive mechanism, we enhance the professional capability and personal qualities of employees and improve the overall work efficiency of the team. To achieve the above, firstly, we enhanced the execution efficiency of the team by refining the personnel and project management system to provide efficient solutions and product services to customers; secondly, we strengthened internal training and project experience sharing to continuously improve the technical ability and business understanding of employees and enhance customer service capabilities; and thirdly, we continuously implemented and promoted employee equity incentive program to form a positive incentive ecology and a highly stable team to strengthen the long-term adhesion of employees to the organization.

In order to strengthen the introduction and cultivation of high-end technical talents, the Company has set up a post-doctoral innovation practice based with the support of Shenzhen Human Resources and Social Security Bureau to conduct in-depth research and promote the transformation of achievements in key areas such as natural language processing, in-depth learning, and interpretable machine learning, so as to realize a two-way drive for talents and enterprises, that is, not only to drive the independent innovation level and sustainable development of enterprises with talents, but also to create a good research environment and platform for high-level talents to combine theory with practice.

6. *Strengthening the introduction of external financing to form new momentum for development*

During the Reporting Period, Beijing Financial Street Capital Operation Group Co., Ltd (“Financial Street Capital”) entered into an investment agreement with Suoxinda (Beijing) Data Technology Co., Ltd (“Suoxinda (Beijing)”), an indirect wholly-owned subsidiary of the Company, under which Financial Street Capital provided an investment of RMB100 million to Suoxinda (Beijing) for its technological research and development, market expansion and strategic acquisitions. As a state-owned capital operation platform, Financial Street Capital will provide Suoxinda (Beijing) with various resources to support its future business expansion and capital market development.

7. *Innovative digital marketing model to create a leading brand in the segment*

The Company has been increasing its marketing and brand building efforts to promote its products and solutions by adopting a variety of innovative brand packaging and digital marketing methods to enhance the Company's brand popularity and influence.

With its comprehensive strength and innovation ability, the Company has won many industry awards and honors from relevant associations, media and other third party institutions such as "AI Marketing Technology Service Provider of the Year", "Technology Innovation Award" in the Zhongguancun Fantaike Fintech International Innovation Contest, "Top 100 Future Banking Technology Service Providers in 2022", "Outstanding Solutions in Financial Data Intelligence", "Top 50 Data Center List 2022", etc. The typical products and cases of the Company have also been selected and included in several important industry reports, further enhancing the reputation and influence of the Company.

III. OUTLOOK

With technological innovation and development, the acceleration of the transformation process of financial digitization, the strengthening by financial institutions and financial technology enterprises of their technological autonomy, as well as the continued in-depth application of emerging digital technologies in various financial business scenarios, reforms and innovations in the financial industry will be continuously and profoundly affected. Driven by the combination of IT architecture transformation, independent innovation, fintech technology upgrade, strict regulation and center construction, the market demand will continue to show robust growth, and the industry will continue to maintain high quality development and enjoy more room for development.

According to the forecast of CCID Consulting, the overall IT investment in China's banking sector is expected to reach RMB513.234 billion by 2026, with an average compound annual growth rate ("CAGR") of 16.66% from 2022 to 2026. The China banking IT solutions market is expected to reach RMB139.011 billion by 2026, with a CAGR of 23.55% from 2022 to 2026. In the next three to five years, the intelligent marketing solutions market will show robust growth, and leading solution providers will gradually increase their innovation in intelligent marketing. The market is expected to reach RMB3.73 billion by 2026, with a CAGR of 30.9% from 2022 to 2026.

The Company has formed a unique competitive edge in the field of financial technology by virtue of its independent innovative technology capability, deep understanding of data intelligence application scenarios, rich experience accumulated through years of serving the financial industry, and leading all-rounded talent advantage. In the future, the Company will continue to seek development in the four directions, including market expansion, technological research and development, ecological cooperation, and investment and financing and mergers and acquisitions (“M&A”) to drive rapid business growth, develop comprehensive competitiveness, and actively provide quality and innovative products and service solutions to customers.

1. *Market Expansion*

The Company will continue to focus on the data intelligence and marketing technology markets to build the No. 1 brand in the market segment. The Company has accumulated extensive experience in product development, implementation services and technology innovation in the field of data intelligence and marketing technology solutions, and has a complete set of integrated industry solutions and numerous successful cases, ranking the first in the banking industry in terms of market share of intelligent marketing. In the future, the Company will further strengthen its stable customer and market base, and while maintaining in-depth, continuous and stable relationships with its recurring customers, it will continue to find new customers and explore new areas through competitive products and solutions to promote sustainable and stable growth of its business.

2. *Technological research and development*

The Company will continue to increase its investment in research and development, establish a comprehensive research and development system, enhance the Company’s innovation and independent research and development capabilities, and meet the ever-changing needs of customers. Through continuous innovation of key technologies and further upgrading of product solutions and core technologies, we will continue to improve the maturity of our products and adaptability to multiple scenarios, and continue to provide competitive and quality products to the market and customers.

3. *Ecological Cooperation*

The Company will continue to strengthen cooperation with technology enterprises and fintech companies in related areas, and actively build an ecosystem with upstream and downstream partners, so as to build capability in integrated solutions, optimise customer experience, enhance market competitiveness and achieve win-win development.

4. *Investment and Financing and M&A*

The Company will continue to actively seek diversified financing channels, actively introduce external financing for the Company, in order to provide a source of funds for the Company's development through financing means, enhance its research and development capabilities, further develop and expand its existing business, and provide a stronger boost to the Company's future development. In the meantime, the Company will accelerate the integration of teams or companies with synergies in business, technology and customers and complement the overall business development through investment and M&A.

The transformation of financial digitization in China is flourishing, and the future of the financial technology market is promising. Suoxinda will determine the strategic direction and continue to optimize its products and solutions, empower the digital transformation of the industry with its own innovative technologies, and achieve sustainable, high-quality and stable development.

FINANCIAL REVIEW

1. Revenue

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Data solutions	131,136	74,805
Sales of hardware and software and related services as an integrated service	24,589	45,008
IT maintenance and support services	16,513	24,789
	<u>172,328</u>	<u>144,602</u>

Revenue for the Reporting Period amounted to approximately RMB172,328,000, representing an increase of approximately 19.1% or approximately RMB27,636,000 as compared with 1H2021. In particular, revenue from data solutions for the Reporting Period was approximately RMB131,136,000, accounted for approximately 76.1% of the total revenue during the Reporting Period, representing an increase of approximately 75.3% or approximately RMB56,331,000 as compared to 1H2021. This was mainly due to the effect of the Group's business strategic deployment in the past two years, which resulted in an increase in the amount of orders from financial banking customers.

Revenue from sales of hardware and software and related services as an integrated service for the Reporting Period was approximately RMB24,589,000, representing a decrease of approximately 45.4% or approximately RMB20,419,000 as compared to 1H2021. Revenue from IT maintenance and support services was approximately RMB16,513,000, representing a decrease of approximately 33.4%, or RMB8,276,000 as compared to 1H2021.

2. Gross profit and gross profit margin

For the Reporting Period, we recorded a gross profit of approximately RMB43,432,000, representing a decrease of approximately 14.6%, or approximately RMB7,404,000 as compared to 1H2021. Our gross profit margin was approximately 25.2% (1H2021: approximately 35.2%).

The primary reason for the decrease in gross profit and gross profit margin is the successive outbreaks of the COVID epidemic in Shenzhen, Shanghai and Beijing and other cities during the Reporting Period. Under the strict epidemic prevention measures such as static management and lockdown: (1) the testing and delivery cycle of the data analysis solution projects were prolonged, which in turn led to an increase in delivery costs; and (2) the revenue from the sales of hardware and software and related services as an integrated service, which have relative higher gross profit decreased.

3. Selling expenses

For the Reporting Period, we recorded a decrease of approximately 40.0% or approximately RMB6,889,000 in selling expenses as compared to 1H2021. Selling expenses accounted for approximately 6.0% of our revenue for the Reporting Period (1H2021: approximately 11.9%). The decrease in selling expenses was mainly due to the impact of the epidemic during the Reporting Period: (1) some of the Group's pre-sales staff supported the delivery of projects, resulting in a decrease in remuneration expenses of the sales team of approximately RMB1,753,000; and (2) certain marketing activities were changed from offline to online, resulting in a decrease in marketing expenses of approximately RMB4,760,000.

4. Research and development expenses

For the Reporting Period, we recorded a decrease of approximately 48.1% or approximately RMB20,381,000 in R&D expenses over 1H2021, accounted for approximately 12.8% of our revenue (1H2021: accounting for approximately 29.3% of our revenue). The decrease in R&D expenses was mainly due to certain R&D results achieved by the Company, which was transformed into intangible assets of approximately RMB17,160,000 during the Reporting Period.

5. Administrative expenses

For the Reporting Period, we recorded an increase of approximately 53.3% or approximately RMB18,364,000 in administrative expenses over 1H2021. The increase in administrative expenses was mainly due to: (1) increase in remuneration expense of approximately RMB1,817,000 due to the increase in the number of management personnel as a result of the restructuring of the organizational structure and functional classification; and (2) share-based payment related expenses of approximately RMB14,410,000 arising from additional grants of share options and restricted shares.

6. Income tax credit

For the Reporting Period, the total income tax credit amounted to approximately RMB71,000, as compared to the total income tax credit of approximately RMB314,000 for 1H2021. Such change was mainly due to the increase in income tax expense was greater than the increase in deferred tax credits for the Reporting Period, resulting in a decrease in the overall credit compared to the 1H2021.

7. Loss for the period

For the Reporting Period, we recorded a net loss for the period of approximately RMB37,484,000 (1H2021: net loss of approximately RMB41,306,000), while net loss excluding share-based payment expenses for the period was approximately RMB23,074,000, representing a reduce in loss of approximately 44.1% as compared with the 1H2021. Such decrease in loss was primarily due to (1) some of the Group's pre-sales staff supported the delivery of projects, resulting in a reduction in the remuneration expenses of the sales team, and the change of certain marketing activities from offline to online, resulting in a decrease in marketing expenses of approximately RMB4,760,000; and (2) the Group's research and development technologies continued to mature and were converted into intangible assets of approximately RMB17,160,000, which resulted in a decrease in research and development expenses for the Reporting Period.

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

For the Reporting Period, the loss for the year attributable to owners of our Company was approximately RMB36,765,000 (1H2021: loss of approximately RMB41,676,000). Such decrease in loss was mainly due to (1) some of the Group's pre-sales staff supported the delivery of projects, resulting in a reduction in the remuneration expenses of the sales team, resulting in a decrease in marketing expenses of approximately RMB4,760,000; and (2) the transformation of certain R&D results achieved into intangible assets of approximately RMB17,160,000, which resulted in a decrease in research and development expenses for the Reporting Period.

9. Loss per share

Basic loss per Share for the Reporting Period amounted to approximately RMB9.12 cents and diluted loss amounted to approximately RMB9.14 cents, while basic and diluted loss per Share for 1H2021 amounted to approximately RMB10.36 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 2022 and 2021:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash outflows in operating activities	(78,732)	(60,995)
Net cash outflows in investing activities	(24,155)	(18,854)
Net cash inflows from financing activities	110,410	26,768

A. *Operating activities*

The net cash used in operating activities by our Group for the Reporting Period was approximately RMB78,732,000, representing an increase of approximately RMB17,737,000 in the net cash used in operating activities as compared with 1H2021, mainly due to the increase in project procurement, salary expenses, related tax expenses and other miscellaneous expenses during the Reporting Period.

B. *Investing activities*

The net cash used in investing activities by our Group for the Reporting Period was approximately RMB24,155,000, representing an increase of approximately RMB5,301,000 as compared with 1H2021, mainly due to the increase in investment in associates by the Group and the purchase expenses for intangible assets and equipment.

C. Financing activities

The net cash generated from financing activities of our Group for the Reporting Period was approximately RMB110,410,000, as compared with the net cash generated from financing activities of approximately RMB26,768,000 for 1H2021. The increase in the net cash generated from financing activities was mainly due to the fact that: (1) the Group obtained financing from banks and other financial institutions; (2) Suoxinda Beijing, an indirect wholly owned subsidiary of the Company, obtained the investment of convertible loans from Financial Street Capital.

11. Capital structure

A. Bank and other borrowings

As at 30 June 2022, we have short-term bank borrowings of approximately RMB73,532,000, other short-term borrowings of approximately RMB5,288,000. Long-term bank borrowings were approximately RMB988,000 and other long-term borrowings were approximately RMB5,293,000.

B. Debt securities

As at 30 June 2022, our Group had no debt securities.

C. Contingent liabilities

As at 30 June 2022, our Group had no major contingent liabilities or guarantees.

D. Treasury policy

Our Group has adopted a prudent financial management approach towards our treasury policy. The Board 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 2022 and 31 December 2021 were approximately 171.2% and 67.8%, respectively. The increase of gearing ratio was mainly due to the increase of approximately RMB120,672,000 or approximately 115.4% in bank and other borrowings, amounts due to directors and a substantial shareholder and financial liabilities at FVTPL 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, amounts due to directors and a substantial shareholder and financial liabilities at FVTPL as at the end of the Reporting Period divided by our total equity as at the same date.

12. Pledge of assets

As at 30 June 2022, bank borrowings of our Group are secured and/or guaranteed by:

- (1) corporate guarantee from independent third parties of RMB17,450,000 (31 December 2021: RMB11,550,000);
- (2) building of our Group of approximately RMB10,488,000 (31 December 2021: RMB10,852,000);
- (3) pledged bank deposits of approximately RMB221,000 (31 December 2021: RMB221,000);
- (4) trade receivables of approximately RMB21,385,000 (31 December 2021: RMB3,131,000);
- (5) other deposits of RMB1,000,000 (31 December 2021: RMB500,000); and
- (6) personal guarantees from directors of the Company and their spouses.

As at 30 June 2022, our Group's other borrowings were secured by:

- (1) The Group's certain equipment of approximately RMB21,345,000 (31 December 2021: nil); and
- (2) The Group's other deposits of RMB1,000,000 (31 December 2021: nil)

13. Capital commitments

Our Group had no capital commitment during the Reporting Period.

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

On 19 April 2022, Suoxinda (Beijing), an indirect wholly owned subsidiary of the Company, entered into an investment agreement with Financial Street Capital, Suoxinda Shenzhen and Mr. Song Hongtao (“**Mr. Song**”), pursuant to which, Financial Street Capital agreed to make an investment in Suoxinda (Beijing) which comprises two stages, namely, (i) provision of convertible loan to Suoxinda (Beijing); and (ii) the conversion of convertible loan into conversion capital and/or the subscription of additional capital, in accordance with the terms and conditions of the investment agreement. As at 30 June 2022 and the date of this announcement, the Investment is in its first stage. Assuming that the investment proceeds to the second stage and that the Investor will hold 20% of equity interest immediately upon full conversion of convertible loan and the subscription of additional capital, Suoxinda Shenzhen’s equity interest in Suoxinda (Beijing) will be reduced to 80% and Suoxinda (Beijing) will remain as a non-wholly owned indirect subsidiary of the Company. Accordingly, the transactions contemplated under the investment agreement will constitute deemed disposal of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Details of the investment and the deemed disposal are set out in the announcement of the Company dated 19 April 2022.

Save as disclosed, there were no significant investments or material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

15. Foreign exchange risk exposure

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

16. Future plans for material investments or capital assets

As disclosed in the section headed “Use of Net Proceeds from the Share Offer” below in this announcement, our Group intended to apply the unutilized Net Proceeds (as defined below) of HK\$3.5 million as at 30 June 2022 for the development of financial AI laboratory, display center and office facilities on or before 31 December 2022. Save as disclosed, our Group currently do not have other plans for material investments or capital assets.

OTHER INFORMATION

Remuneration policy and employment benefits

Our Group had 927 employees altogether in Mainland China and Hong Kong as at 30 June 2022. 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.

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 we 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 the Company held on 8 June 2020. The Share Option Scheme is a share incentive scheme formulated in accordance with Chapter 17 of the Listing Rules. The purposes of the Share Option Scheme and the Share Award Scheme are to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

The total number of shares of the Company (the “**Shares**”) in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on 8 June 2020, i.e. 40,000,000 Shares. During the Reporting Period, 1,582,733 share options were granted to 56 option grantees who are employees of the Group on 8 April 2022. Details of the grant are set out in the announcement of the Company dated 8 April 2022. As at 30 June 2022, the Company had 1,856,833 outstanding options granted pursuant to the Share Option Scheme. As at 30 June 2022, the total number of Shares available for issue under the Share Option Scheme was 38,143,167 Shares, representing approximately 9.33% of the total Shares in issue as at the date of this announcement.

The table below sets out details of the outstanding options granted to the grantees under the Share Option Scheme and movements during the Reporting Period:

Grantees	Date of Grant	Vesting Schedule	Exercise Period	Exercise Price per Share Option	Number of Share option				Closing price (weighted average) of the Shares immediately before the dates on which the options were exercised	
					Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		Outstanding as at 30 June 2022
7 employees	28 December 2021	25% of the share options granted shall vest on the first trading day after each of 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, respectively	Subject to the vesting dates, from 28 December 2021 to 7 June 2030	HK\$6.33 (Note1)	70,000	0	0	0	70,000	N/A
5 employees	28 December 2021	25% of the share options granted shall vest on the first trading day after each of 31 March 2023, 31 March 2024, 31 March 2025 and 31 March 2026, respectively	Subject to the vesting dates, from 28 December 2021 to 7 June 2030	HK\$6.33 (Note1)	204,100	0	0	0	204,100	N/A
56 employees	8 April 2022	25% of the share options granted shall vest on the first trading day after each of 31 March 2023, 31 March 2024, 31 March 2025 and 31 March 2026, respectively	Subject to the vesting dates, from 8 April 2022 to 7 June 2030	HK\$5.38 (Note2)	0	1,582,733	0	0	1,582,733	N/A
					274,100	1,582,733	0	0	1,856,833	

Note 1: The exercise price of the share options represents the highest of: (i) the closing price of HK\$6.33 per Share as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of HK\$6.246 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.01 per Share.

Note 2: The exercise price of the share options represents the highest of: (i) the closing price of HK\$5.38 per Share as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of HK\$5.272 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.01 per Share.

The Share Award Scheme is administrated by the Board. The Company has appointed Trident Trust Company (HK) Limited or its wholly owned subsidiary, being SXD Talent Success Limited, as the trustee of the Share Award Scheme. The maximum number of restricted shares (the “**Restricted Shares**”) which may be awarded under the Share Award Scheme by the Company or held by the trustee under the Share Award Scheme shall not exceed 5% of the total number of the Shares in issue on 8 June 2020, i.e. 20,000,000 Shares. During the Reporting Period, 778,579 Restricted Shares were granted to 46 share award grantees on 8 April 2022 where the awards of 738,579 Restricted Shares to 44 employees of the Group were satisfied by the allotment and issue of new Shares to the trustee pursuant to the general mandate and the award of 40,000 Restricted Shares to 2 connected persons of the Company were satisfied by existing Shares purchased by the trustee on the open market by utilising the Company's resources provided to the trustee respectively. Details of the grant are set out in the announcement of the Company dated 8 April 2022.

As at 30 June 2022, the total number of Shares available for grant under the Share Award Scheme was 13,249,099 Shares, representing approximately 3.24% of the total Shares in issue as at the date of this announcement.

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

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

Use of Net Proceeds from the Share Offer

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 December 2019 by way of share offer (the "Share Offer"). The Company offered 100,000,000 Shares at an offer price of HK\$1.50 per Share. According to the Company's annual report for the year ended 31 December 2019 dated 27 April 2020, the actual net proceeds of the Share Offer was approximately HK\$104.0 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)	Utilised Net Proceeds as at 30 June 2022 (HK\$ million)	Unutilised Net Proceeds as at 30 June 2022 (HK\$ million)	Proposed timetable for the use of unutilised Net Proceeds (Note)
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	19.5	1.3	On or before 31 December 2022
Development of the financial AI laboratory, the display centre and office facilities	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	18.65%	19.4	19.4	–	N/A
Total	100%	104.0	94.7	9.3	

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

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The CG Code has been amended with effect from 1 January 2022. Following the retirement of Dr. Mo Keqi and Mr. Jiang Senlin as non-executive Directors, and Ms. Fan Wenxian as an independent non-executive Director on 23 June 2022, the Company was not able to comply with the requirements under Rules 3.05, 3.10(1), 3.21 and 3.27A of the Listing Rules. On 15 July 2022, the Company has appointed Mr. Song as an authorised representative of the Company with effect from 15 July 2022, the Company is in compliance with the requirements under Rule 3.05 of the Listing Rules. On 26 August 2022, the Company has appointed Mr. Yang Haifeng as an independent non-executive Director, the chairman of the remuneration committee of the Company and a member of the Audit Committee and the nomination committee of the Company (the “**Nomination Committee**”) and Dr. Chen Wai as the chairman of the Nomination Committee with effect from 26 August 2022, the Company is in compliance with the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules. Saved as disclosed, the Board has reviewed the Company's corporate governance practices and is satisfied that the Company had complied with all the code provisions set out in the CG Code during the Reporting Period.

Compliance with the Model Code

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

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

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Reporting Period (1H2021: 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 of shares of the Company on the Hong Kong Stock Exchange on 13 December 2019 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 the Company (the “**Audit Committee**”, comprising the existing independent non-executive Directors, namely Mr. Tu Xinchun and Dr. Chen Wei) has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period. The Audit Committee has also discussed with senior management members matters relating to the accounting policies and practices adopted by the Company 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 the Group for the Reporting Period has not been audited by the Company’s auditor.

Events after the End of the Reporting Period

On 15 July 2022, the Company (as issuer) entered into subscription agreements with 45 subscribers in respect of the subscription of an aggregate of 20,000,000 Shares at the subscription price of HK\$1.24 per Share (the “**Subscription**”). After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$24,670,000. The Company intends to utilise the aforesaid net proceeds from the Subscription for working capital and general corporate purposes.

Save as disclosed above, there has been no other significant events that might affect the 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 the Company (www.datamargin.com). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Song Hongtao, Mr. Chen Zhenping, Dr. Wu Fu-Shea and Mr. Wu Xiaohua; and two independent non-executive directors, namely Mr. Tu Xinchun and Dr. Chen Wei.