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Suoxinda Holdings Limited

索信达控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3680)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

Revenue for the Reporting Period amounted to approximately RMB377,126,000, representing a decrease of approximately 5.1% or approximately RMB20,246,000 as compared with 2021. The decrease in revenue was mainly due to (1) our Company's proactive optimisation of the business structure to reduce the investment and sales efforts in hardware and software sales and related services as an integrated service, IT maintenance and support services, and focus on the steady growth and high quality development of the core data solutions business, resulting in a decrease of approximately 16.0% or approximately RMB14,869,000 in revenue from the sales of hardware and software and related services as an integrated service; a decrease of approximately 32.5% or approximately RMB15,225,000 in revenue from the IT maintenance and support services; and (2) a slower growth of our Group's data solutions business than expected due to the impact of the COVID-19 pandemic, with an increase of approximately 3.8% or RMB9,848,000 in the relevant revenue as compared with 2021.

Gross profit for the Reporting Period amounted to approximately RMB89,339,000, representing a decrease of approximately 30.9% as compared with 2021. The decrease in gross profit was mainly due to (1) the continuous impact of the COVID-19 pandemic and the strict containment measures implemented in the Mainland China, which prevented our Group's delivery team from timely accessing customers' project sites to complete the work, resulting in longer project completion cycle, thus increasing the operating costs; and (2) the decrease in revenue during the Reporting Period.

Gross profit margin for the Reporting Period was approximately 23.7%, representing a decrease of approximately 8.8% as compared with 2021 (2021: 32.5%). The decrease in gross profit margin was mainly due to: (1) lower gross profit of orders from our Group's new strategic customers; (2) lower revenue from the sales of hardware and software and related services as an integrated service which carries higher gross profit; and (3) longer testing and delivery cycle for data analysis solutions projects as impacted by the COVID-19 pandemic.

Net loss for the Reporting Period amounted to approximately RMB124,022,000 (2021: net loss of RMB75,987,000). The loss for the Reporting Period was mainly due to:

- 1) the impact of the COVID-19 pandemic and the strict containment measures implemented in the Mainland China, which prevented our Group's delivery team from timely accessing customers' project sites to complete the work, resulting in longer project completion cycle, thereby increasing the operating costs by approximately RMB19,611,000;
- 2) the expenses related to share-based payments of approximately RMB20,536,000 (2021: RMB5,772,000) arising from the grant of share options and awarded shares during 2022 by our Group in order to attract and retain outstanding talents;
- 3) depreciation and amortisation of property and equipment, intangible assets and right-of-use assets of approximately RMB39,645,000 (2021: RMB27,934,000), among which, the amortisation of self-developed products increased by approximately RMB5,241,000;
- 4) provision for impairment of financial and contract assets of our Group of approximately RMB24,397,000 based on prudent consideration;
- 5) impairment of property and equipment, intangible assets and right-of-use assets of approximately RMB24,000,000 due to business strategy adjustment; and
- 6) due to the streamlining and optimisation of office space, our Company relocated three main offices. The amortisation of the renovation expense of the original office was included in the expenses for the Reporting Period in advance in a lump sum, resulting in a decrease in other gain of approximately RMB4,666,000.

Basic and diluted loss per share for the Reporting Period was RMB30.9 cents (2021: loss of RMB19.0 cents per share).

The board (the “**Board**”) of directors (the “**Directors**”) of Suoxinda Holdings Limited (the “**Company**”) announces the audited consolidated results of our Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	3	377,126	397,372
Cost of sales		<u>(287,787)</u>	<u>(268,176)</u>
Gross profit		89,339	129,196
Selling expenses		(24,822)	(36,092)
Administrative expenses		(99,606)	(90,932)
Research and development expenses		(39,580)	(61,462)
Expected credit losses (“ECLs”) on financial and contract assets	8, 9	(24,397)	(23,884)
Impairment loss on property and equipment		(4,756)	–
Impairment loss on intangible assets		(15,491)	–
Impairment loss on right-of-use assets		(3,753)	–
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)		(1,981)	–
Other income		9,318	9,393
Other (losses)/gain, net		<u>(6,781)</u>	<u>282</u>
Operating loss		<u>(122,510)</u>	<u>(73,499)</u>
Finance income	5	41	135
Finance costs	5	<u>(8,083)</u>	<u>(8,437)</u>
Finance costs, net	5	(8,042)	(8,302)
Share of profits of associates		<u>1,043</u>	<u>2,313</u>
Loss before income tax	4	(129,509)	(79,488)
Income tax credit	6	<u>5,487</u>	<u>3,501</u>
Loss for the year		<u><u>(124,022)</u></u>	<u><u>(75,987)</u></u>
Attributable to:			
Owners of the Company		(128,192)	(76,238)
Non-controlling interests		<u>4,170</u>	<u>251</u>
		<u><u>(124,022)</u></u>	<u><u>(75,987)</u></u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year		<u>(124,022)</u>	<u>(75,987)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
– Currency translation differences		<u>1,024</u>	<u>(329)</u>
Total comprehensive loss for the year, net of tax		<u>(122,998)</u>	<u>(76,316)</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		<u>(127,168)</u>	<u>(76,567)</u>
Non-controlling interests		<u>4,170</u>	<u>251</u>
		<u>(122,998)</u>	<u>(76,316)</u>
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (<i>RMB cents</i>)	7	<u>(30.9)</u>	<u>(19.0)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		30,508	51,842
Intangible assets		95,795	87,051
Right-of-use assets		17,023	41,738
Investment in associates		19,245	12,652
Deposit paid for acquisition of additional interests in a subsidiary		3,465	–
Deferred tax assets		8,427	3,642
		<u>174,463</u>	<u>196,925</u>
Current assets			
Trade receivables	<i>8</i>	82,322	114,886
Contract assets	<i>9</i>	124,840	131,545
Prepayments		1,604	2,344
Other receivables		12,322	5,816
Pledged bank deposits		221	221
Cash and cash equivalents		15,111	21,955
		<u>236,420</u>	<u>276,767</u>
Total assets		<u>410,883</u>	<u>473,692</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,153	3,597
Other reserves		293,863	213,569
Accumulated losses		(215,257)	(79,472)
		<u>82,759</u>	<u>137,694</u>
Non-controlling interests		<u>20,754</u>	<u>16,476</u>
Total equity		<u>103,513</u>	<u>154,170</u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,393	17,776
Deferred tax liabilities		852	1,941
Bank and other borrowings	<i>11</i>	2,461	617
		7,706	20,334
Current liabilities			
Trade payables		74,320	76,902
Accruals and other payables	<i>10</i>	70,360	74,741
Contract liabilities	<i>9</i>	1,907	24,904
Current income tax liabilities		3,542	3,635
Amount due to directors (2021: a director)		25,053	51,220
Amount due to a substantial shareholder		–	3,000
Lease liabilities		3,371	15,095
Bank and other borrowings	<i>11</i>	79,130	49,691
Financial liabilities at FVTPL		41,981	–
		299,664	299,188
Total liabilities		307,370	319,522
Total equity and liabilities		410,883	473,692
Net current liabilities		(63,244)	(22,421)
Total assets less current liabilities		111,219	174,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Suoxinda Holdings Limited (the “**Company**”) is a limited company incorporated in the Cayman Islands on 6 December 2018 as an exempted company. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are engaged in provision of data solutions, sales of hardware and software and related services as an integrated service, and information technology (“**IT**”) maintenance and support services.

The Company listed its shares on Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2019.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) Going Concern Basis

The Group incurred a loss of approximately RMB124,022,000 for the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of approximately RMB63,244,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

- (i) According to the letter from Mr. Chen Zhenping, a director, to the Board of the Company dated 15 March 2023, in order to provide continuous financial support to the Company, the director will not demand repayment of the amount due to him of approximately RMB11,531,000 during the period from 1 January 2023 to 30 June 2024.
- (ii) Two directors of the Company, Mr. Shi Banchao and Mr. Chen Zhenping, each will provide the loan financing funding support amounted to RMB30,000,000 and RMB30,000,000 respectively, within 18 months from the date of the letter, i.e. 16 March 2023.
- (iii) Subsequent to the end of the reporting period, on 15 January 2023, the Company entered into agreements with subscribers for subscription of Company's shares at the subscription price of HK\$0.645 per share. On 22 February 2023, the Company completed the issuance of 50,800,000 new shares to those subscribers to raise net proceeds up to approximately HK\$31,533,000. For details, please refer to the Company's announcements on 15 January 2023 and 22 February 2023 respectively.
- (iv) Subsequent to the end of the reporting period, on 19 March 2023, the Company entered into agreements with subscribers for subscription of 175,500,000 Company's shares at the subscription price of HK\$0.76 per share and expected to raise proceeds up to approximately HKD133,380,000. The issuance of new shares is subjected to shareholders approval in extraordinary general meeting and approval from the listing committee of The Stock Exchange of the Hong Kong Limited.
- (v) The Group is negotiating with the counterparties to renew the existing loans from them.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

(b) Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise IFRS, IAS and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue		
– Data solutions	267,589	257,741
– Sales of hardware and software and related services as an integrated service	77,914	92,783
– IT maintenance and support services	31,623	46,848
	<u>377,126</u>	<u>397,372</u>
Timing of revenue recognition		
– At a point in time	77,914	92,783
– Over time	299,212	304,589
	<u>377,126</u>	<u>397,372</u>

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

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	<u>92,285</u>	<u>71,407</u>

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Mainland China	377,126	392,412
Hong Kong	—	4,960
	<u>377,126</u>	<u>397,372</u>

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

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

4 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Amortisation of intangible assets	15,692	9,677
Depreciation of property and equipment	12,369	11,926
Depreciation of right-of-use assets	11,725	12,634
	<u>39,786</u>	<u>34,237</u>
Total amortisation and depreciation	39,786	34,237
Less: Capitalised in software development costs within intangible assets	(141)	(6,303)
	<u>39,645</u>	<u>27,934</u>
Employee benefit expenses (including directors' emoluments)	267,880	243,376
Expenses related to short-term leases	1,610	3,523
Auditor's remuneration	1,675	1,701
ECLs on trade receivables (<i>Note 8</i>)	12,316	19,332
ECLs on contract assets (<i>Note 9</i>)	12,081	4,552
Impairment loss on property and equipment	4,756	—
Impairment loss on intangible assets	15,491	—
Impairment loss on right-of-use assets	3,753	—
Fair value change of on financial liabilities at FVTPL	1,981	—
	<u>267,880</u>	<u>243,376</u>

5 FINANCE COSTS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	41	135
	<u>41</u>	<u>135</u>
Finance costs		
– Interest expense on bank and other borrowings	(6,828)	(6,163)
– Finance charges on lease liabilities	(1,255)	(2,274)
	<u>(8,083)</u>	<u>(8,437)</u>
	<u><u>(8,083)</u></u>	<u><u>(8,437)</u></u>
Finance costs, net	(8,042)	(8,302)
	<u><u>(8,042)</u></u>	<u><u>(8,302)</u></u>

6 INCOME TAX CREDIT

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	–	–
– The People's Republic of China (“PRC”) enterprise income tax	405	27
	<u>405</u>	<u>27</u>
Over-provision in prior years		
– PRC enterprise income tax	(18)	(1,215)
	<u>(18)</u>	<u>(1,215)</u>
Deferred income tax		
– Current year	(5,627)	(2,313)
– Attributable to change in tax rate	(247)	–
	<u>(5,874)</u>	<u>(2,313)</u>
Income tax credit	<u><u>(5,487)</u></u>	<u><u>(3,501)</u></u>

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the year ended 31 December 2022 (2021: 16.5%).

(ii) **PRC enterprise income tax**

Shenzhen Suoxinda Data Technology Co., Ltd. (“**Suoxinda Shenzhen**”), Suoxinda (Beijing) Data Technology Co., Ltd. (“**Suoxinda Beijing**”) and Shenzhen Yinxing Intelligent Data Co., Ltd. (“**Shenzhen Yinxing**”) were recognised by relevant Mainland China authorities as National High and New Technological Enterprise (“**NHNTTE**”) and were entitled to a preferential enterprise income tax rate of 15% from 2020 to 2023, from 2021 to 2024 and from 2022 to 2025, respectively.

The tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the tax rates applicable to losses of the entities under the Group as follows:

	Year ended 31 December	
	2022	2021
	RMB’000	RMB’000
Loss before income tax	(129,509)	(79,488)
Less: share of profits of associates, net of tax	(1,043)	(2,313)
Loss before income tax before share of profits of associates	<u>(130,552)</u>	<u>(81,801)</u>
Tax calculated at domestic tax rates applicable to losses of the respective companies	(22,831)	(15,328)
Expenses not deductible for tax purposes	9,191	7,568
Over-provision in prior years	(18)	(1,215)
Super deduction for research and development expenses (<i>Note i</i>)	(4,890)	(9,745)
Tax losses for which no deferred tax was recognised	13,577	15,775
Utilisation of tax losses previously not recognised	(269)	(556)
Decrease in opening deferred tax assets/liabilities resulting from decrease in applicable tax rate	(247)	–
Income tax credit	<u>(5,487)</u>	<u>(3,501)</u>

Note:

(i) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People’s Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim up to 175%-200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the years ended 31 December 2021 and 2022.

7 LOSS PER SHARE

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share (<i>RMB'000</i>)	<u>(128,192)</u>	<u>(76,238)</u>
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings per share (Number of shares in thousand)	<u>414,832</u>	<u>402,156</u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u>(30.9)</u>	<u>(19.0)</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 earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the issue of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Diluted loss per share 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, share options and convertible loans because (i) the exercise price of those share options is 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 and convertible loans have anti-dilutive effects on the basic loss per share amounts presented. (2021: 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 the impacts of the exercise of the Company's outstanding share options and shares to be issued under share awards scheme have an anti-dilutive effect on the basic loss per share amounts presented.)

8 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	129,982	150,230
Less: allowance for expected credit losses	<u>(47,660)</u>	<u>(35,344)</u>
	<u>82,322</u>	<u>114,886</u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	82,008	109,131
USD	314	5,752
HKD	–	3
	<u>82,322</u>	<u>114,886</u>

As at 31 December 2022, trade receivables outstanding from certain specific customers of the Group of approximately RMB36,323,000 have been pledged to certain bank borrowings of the Group (2021: RMB3,131,000) (Note 11(a)).

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(35,344)	(16,012)
Increase in expected credit losses	<u>(12,316)</u>	<u>(19,332)</u>
At the end of the year	<u>(47,660)</u>	<u>(35,344)</u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	64,881	84,278
3 to 6 months	685	6,898
6 months to 1 year	4,768	20,420
Over 1 year	<u>59,648</u>	<u>38,634</u>
	<u>129,982</u>	<u>150,230</u>

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

The allowance for expected credit losses on trade receivables as of 31 December 2021 and 2022 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
31 December 2021:						
Weighted average expected loss rate	7%	8%	27%	45%	63%	
Gross carrying amount (in thousand)	55,121	31,211	14,807	31,502	17,589	150,230
Allowance for expected credit losses (in thousand)	3,664	2,451	4,036	14,055	11,138	35,344
31 December 2022:						
Weighted average expected loss rate	2%	5%	17%	66%	77%	
Gross carrying amount (in thousand)	43,133	22,011	3,200	21,072	40,566	129,982
Allowance for expected credit losses (in thousand)	720	1,107	531	13,883	31,419	47,660

Weighted average expected credit losses rates were determined based on the cash collection performance for customers with respect to the credit terms granted to each customer and also taking into account the forward-looking information. The cash collection patterns are affected by a number of factors including but not limited to the change in customer portfolios of the Group, the effort of cash collection from the customers, the timing of settlement processes by customers of the Group etc.

9 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	As at 31 December		As at
	2022	2021	1 January
	RMB'000	RMB'000	2021
			RMB'000
Contract assets	147,378	142,002	106,733
Less: allowance for expected credit losses	<u>(22,538)</u>	<u>(10,457)</u>	<u>(5,905)</u>
	<u>124,840</u>	<u>131,545</u>	<u>100,828</u>
Contract liabilities	<u>(1,907)</u>	<u>(24,904)</u>	<u>(1,213)</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At the beginning of the year	(10,457)	(5,905)
Increase in expected credit losses	(12,081)	(4,552)
At the end of the year	(22,538)	(10,457)

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 several customers with contract assets amounted to RMB18,932,000 (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.

The following table shows the revenue recognised during the year ended 31 December 2021 and 2022 related to carried-forward contract liabilities:

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	24,904	1,213

10 TRADE PAYABLES

Trade payables analysis is as follows:

	As at 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	74,320	76,902

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 to 30 days	38,091	39,399
31 to 60 days	8,849	8,528
61 to 90 days	1,517	2,690
Over 90 days	25,863	26,285
	<u>74,320</u>	<u>76,902</u>

The carrying amounts of the trade payables approximate their fair values as at 31 December 2021 and 2022. The trade payables are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	70,094	70,056
HKD	–	3
USD	4,226	6,843
	<u>74,320</u>	<u>76,902</u>

11 BANK AND OTHER BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Bank borrowings (<i>Note (a)</i>)	–	617
Other borrowings (<i>Note (b)</i>)	2,461	–
	<u>2,461</u>	<u>617</u>
Current		
Bank borrowings (<i>Note (a)</i>)	73,594	49,691
Other borrowings (<i>Note (b)</i>)	5,536	–
	<u>79,130</u>	<u>49,691</u>
Total	<u>81,591</u>	<u>50,308</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:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	73,594	49,691
In the second year	–	617
	<hr/>	<hr/>
	73,594	50,308
Less: portion classified as current liabilities	(73,594)	(49,691)
	<hr/>	<hr/>
Portion classified as non-current liabilities	–	617
	<hr/> <hr/>	<hr/> <hr/>

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

The weighted average interest rate is 5.9% per annum for the year ended 31 December 2022 (2021: 5.3%).

As at 31 December 2022, the Group had aggregate banking facilities of RMB82,000,000 (2021: RMB57,000,000). Unused facilities as at the same date amounted to RMB16,570,000 (2021:RMB20,360,000). The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of RMB14,850,000 as at 31 December 2022 (2021: RMB11,550,000);
- (ii) building of the Group of approximately RMB10,128,000 as at 31 December 2022 (2021: RMB10,852,000);
- (iii) pledged bank deposits of approximately RMB221,000 held at bank as at 31 December 2022 (2021: RMB221,000);
- (iv) trade receivables outstanding from certain specific customers of the Group of approximately RMB36,323,000 as at 31 December 2022 (2021:RMB3,131,000) (Note 8);
- (v) other deposits of the Group of RMB1,000,000 as at 31 December 2022 (2021: RMB500,000); and
- (vi) Personal guarantees from Mr. Song Hongtao (“Mr. Song”), Mr. Wu Xiaohua (“Mr. Wu”) and their spouses and a director of a subsidiary.

(b) Other borrowings

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	5,536	–
In the second year	2,461	–
	<hr/>	<hr/>
	7,997	–
Less: portion classified as current liabilities	(5,536)	–
	<hr/>	<hr/>
Portion classified as non-current liabilities	2,461	–
	<hr/> <hr/>	<hr/> <hr/>

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 instalments by 2024.

The Group's other borrowings are secured by:

- (i) certain equipment of the Group of approximately RMB18,445,000 as at 31 December 2022 (2021: Nil); and
- (ii) other deposits of the Group of RMB1,000,000 as at 31 December 2022 (2021: Nil).

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

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

I. Analysis on industry background

Looking back to 2022, at the level of the macro environment, the global economy faced increased downward pressure, the international situation was complex and critical, and China's economy was under pressure. Under the multiple challenges of the macro environment and the impact of the pandemic on business operations, enterprises overcame the difficulties and strode ahead to future.

From the industry level, the regulations governing the sectors of financial technology and the innovation of financial technology applications in the financial industry have been further tightened. On the other hand, the continuous development of regulatory technology, continuous advancement of enterprises' autonomous innovation ability in technology, and increasingly matured technology application, movement towards a stage of high quality and in-depth development of financial digitisation as well as the acceleration of replacement with domestic information technology application innovation, the support from favourable government policies was greater. The successive issuance of favourable policies, including the "Financial Technology Development Plan (2022-2025)" by the People's Bank of China, the "Guiding Opinions on the Digital Transformation of the Banking and Insurance Industry" by China Banking and Insurance Regulatory Commission, the "Financial standardisation 14th Five-Year Plan" by the People's Bank of China, the General Administration of Market Supervision, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission, the "14th Five-Year Plan for the Development of the Big Data Industry" by the Ministry of Industry and Information Technology and the "Opinions of the Central Committee of the Communist Party of China and the State Council on Establishing a Data Base System to Maximize a Better Role of Data Elements" (the "**20 Articles of Data**") have further clarified the goals, mindset and directions of the industry development, emphasising the importance of data application, data security and data governance.

In general, despite the greater pressure in terms of the macro environment and the industry in 2022, the above policy support and the general trend of industry development have provided significant support to the development of the financial technology, digitalised ecology, data intelligence and information technology application innovation which are relevant to Suoxinda's business, bringing bright prospects and confidence to the future development of Suoxinda.

II. Business Review for 2022

1. *Proactively optimising business structure in response to challenges and maintaining steady growth of the core data business*

Under the backdrop of greater external pressure, our Company has built up strong pressure-resistant capabilities and development momentum by leveraging its solid customer base and strong overall competitiveness. In the face of challenges, our Company has proactively taken actions to optimise its business structure by reducing its investment and sales efforts in hardware and software sales, and related services as an integrated service and information technology maintenance and support services, and instead focusing on the steady growth and quality development of its core data solutions business. In 2022, our Company's overall revenue was approximately RMB377,000,000, of which our core data solutions business achieved revenue of approximately RMB268,000,000, representing a year-on-year increase of 3.8% and an increase of the proportion to our Company's overall revenue from 64.9% to 71.0%.

Our Company has been committed and dedicated in the financial sector for many years, with data intelligence and marketing technology as the core sector, surrounding the autonomous innovation of technology products and empowering digital transformation of the industry, strengthening autonomous research and development capabilities, developing high-quality products, and delivering high-value solutions, and leveraging on our data-driven as a capability to provide an acceleration engine to the financial technology development and financial digital transformation. Our Company has stepped up its efforts to build a diversified core competitiveness that integrates mature product solutions, rich case experience, composite talent advantage, solid customer base, and good market reputation, which provides our Company with strong support to gain continuous trust from customers, ensure robust development, and resist external pressure.

2. Strengthening organisational optimisation and carrying out continuous costs reduction and efficiency enhancement

In response to challenges brought by factors such as the pandemic, and uncertainties of economic growth and the external environment, our Company had taken the initiative to implement a series of measures to reduce costs and enhance efficiency in 2022. First of all, through salary adjustment and personnel optimisation to reduce labor costs, all senior management of our Company have taken the initiative to reduce their salaries since April to overcome the difficulties together, and at the same time, our Company optimised the diversion of some personnel; secondly, through streamlining office space and administrative management team, administrative expenses were reduced by approximately RMB2,106,000 on a year-on-year basis; thirdly, controlling travel expenses and marketing expenses, and optimising sales and pre-sales teams to reduce sales expenses by 31.2% or approximately RMB11,270,000 on a year-on-year basis; fourthly, optimising business processes and strengthening project management to continuously enhance operational efficiency.

3. Focusing on market segmentation and establishing a leading position in the banking intelligent marketing market

As a leading company focusing on data intelligence and marketing technology in the financial industry, Suoxinda is capable of providing mature products and solutions with rich experience in dealing with top-tier customers. This has enabled Suoxinda to maintain its leading market influence in the professional sector of intelligent marketing. Our Company was ranked first in China's banking "intelligent marketing solutions" market as reported in the "Market Analysis Report on 2021 Chinese Banking IT Solutions" published by CCID Consulting and "China Banking IT Solutions Market Share, 2021" published by IDC in 2022. In addition, our market share was reported to have exceeded the combined total of the next three peer market players. Meanwhile, in the IDC report, Suoxinda was ranked second in the "Customer Resource Management Solutions" market, with a market share that was only approximately one percentage point different from that of the first place.

As one of the key segments of Suoxinda's core business, intelligent marketing has become an important scenario of digital transformation for financial institutions and a key approach to drive business development in recent years. Its market demand has also been growing. As mentioned above, in the report "China Banking IT Solutions Market Share in 2021" published by IDC and CCID Consulting in 2022, the "Intelligent Marketing" market segment was added, indicating that major banks are actively investing in the construction of intelligent marketing platforms. The market is demonstrating robust growth, becoming an emerging market that which has caught people's attention in recent years.

During the Reporting Period, our Company has been engaged in intelligent marketing-related business with a number of major state-owned banks, national joint-stock banks, small and medium-sized banks, insurance and securities companies and other financial institutions, in the construction of intelligent marketing systems for banking wealth management, retail customer data mining and digital marketing, scenario-based intelligent marketing for private banking customers, retail customer experience monitoring systems, intelligent marketing platforms for credit card centres, label portrait platform, marketing management system, corporate banking marketing, and other professional application segments to provide intelligent marketing solutions that connect the front, middle and back-end.

4. *Actively expanding innovative development and exploring new business models for joint operations*

In the face of the changing market environment and external challenges, our Company integrated its own strengths and capabilities to respond to industry needs and trends in a timely manner, and explored new business models such as joint operations to create a new growth engine for our Company's development.

During the Reporting Period, our Company cooperated with a joint-stock bank in the form of joint data modelling and joint operations to carry out precise marketing for the bank's customers and promote inclusive financial services to meet the capital needs of more customers. Relying on its data analysis capability and digital marketing experience, Suoxinda has helped the bank to establish a sound customer operation system, operate and convert its customers, enhance user experience through continuous optimisation and iteration, realise the growth of the scale of its credit business, and continuously improve its market competitiveness.

Such innovative cooperation model of joint operations with customers to achieve a win-win situation is not only an important innovation and in-depth breakthrough in the cooperation model between Suoxinda and the bank, but also opens up a new field for Suoxinda to develop the joint operation business market in the future. At present, Suoxinda's precision marketing joint operation projects with another joint-stock bank and two city commercial banks are also underway.

5. *Intensively cultivating top-tier banks and carrying out in-depth cooperation with customers*

According to a research report of CCID Consulting, the six state-owned banks and 12 joint-stock banks invested as high as RMB170,450,000,000 in financial technology in 2021, accounting for approximately 73.5% of IT investment in China's banking industry. Our Company has already started business with 15 of these 18 top-tier banking institutions.

Our Company has leveraged its technical strengths in data intelligence and marketing technology to help banking institutions unearth value from data, empower business applications and gain customer recognitions. With financial institutions placing increasing emphasis on the value of data, our Company continued to deepen cooperation with its regular customers, building a solid customer base and providing an important guarantee for sustainable business growth. During the Reporting Period, our Company maintained a 100% renewal rate with its major customers, with revenue from eight customers exceeding the level of RMB10,000,000, and five joint-stock banks recording year-on-year revenue growth of over 50%. A top-tier joint-stock bank, with which our Company has been cooperating for 10 consecutive years, reported another record-high revenue during the Reporting Period.

6. *Strengthening autonomous capabilities and promoting product application*

Our Company insists on self-reliance and self-improvement of technology to promote autonomous research and development (“R&D”) and the application of artificial intelligence (AI), big data, marketing technology and other products; continuously enhances product innovation capabilities, continuously upgrades and optimises product portfolio, and continuously creates mature and cutting-edge products and solutions for customers to facilitate digital transformation. As of the end of the Reporting Period, our Company has applied for 100 patents, and obtained 136 computer software copyright certificates. Our Company was also awarded the “Guangdong Province Intellectual Property Demonstration Enterprise” for 2022, and Suoxinda Shenzhen was approved to set up “Postdoctoral Innovation Practice Base” to enhance talent cultivation and research level development.

Our Company has more than ten types of products with its own intellectual property rights in the fields of intelligent marketing, AI and big data, developing and delivering solutions, software platforms and professional services related to big data, AI and digital marketing for major financial institutions and corporate customers, empowering the digital transformation and business innovation of the financial industry with autonomous and controllable technologies and products.

In order to help financial institutions respond to the stringent regulatory challenges and further improve their regulatory data governance and construction capabilities, our Company has launched the “Spiritual Matrix Panoramic Regulatory Compliance Platform” and entered the regulatory technology field. The product has been applied in Liaoshen Bank, Great Wall West China Bank and other institutions.

Suoxinda’s technology competitiveness is based on its emphasis on talents. Through an open talent introduction mechanism and a mature talent cultivation and incentive mechanism, our Company has accelerated the introduction of outstanding technical talents and built a composite and highly efficient professional talent team. As of the end of the Reporting Period, technical talents accounted for approximately 88.1% of our Company’s total workforce, of which data talents accounted for approximately 72.7%. In order to attract and retain outstanding talents, our Company has continued to implement the share award scheme even under the adverse environment, granting up to 778,579 restricted shares to 46 key talents and issuing 58,206,598 shares to 37 management and key technical personnel of our Company and 2 investors through private placement in an attempt to motivate employees and enhance the long-term adhesion of the backbone personnel to our Company.

7. *Promoting innovative application of information technology and actively expanding ecological cooperation*

Development of information technology application innovation is a national strategy. Ranging from the People’s Bank of China to the China Banking and Insurance Regulatory Commission, guiding opinions on “autonomous and controllable finance” have been successively proposed in recent years to promote the application of autonomous and controllable technologies in the financial industry. “Autonomous and controllable finance” has become one of the key directions for financial technology in the next five years. The huge demand for domestic replacement in the financial industry is expected to generate a considerable demand in the information technology application innovation market, which provides a favourable development opportunity for financial technology companies, such as Suoxinda, which are equipped with autonomous innovation capabilities.

Our Company has been actively cooperating with leading domestic institutions to jointly provide customers with domestic full stack implementation and deployment solutions. During the Reporting Period, our Company was certified as a service partner of the Huawei Cloud. Our Company's "Data Platform Professional Services" were included in the Huawei Cloud Store as an associated product. Meanwhile, the Company has strengthened the information technology application innovation and adaptation of the products. Suoxinda's products such as Lingji Data Catalog Software and the Link-C Label Portrait Platform have completed the compatibility adaptation certification based on the Kunpeng architecture on the Huawei Cloud to meet the capability of supporting product domestication.

During the Reporting Period, our Company passed the Alibaba Cloud Database Technology Service Partner certification, becoming a member of the "Financial Pioneer Alliance" initiated by Alibaba Cloud. The two parties jointly launched intelligent marketing solutions. It is the first ecological product of Alibaba Cloud applied in the big data sector of the financial industry. At the same time, a number of products, such as Suoxinda Lingmou Label Portrait Platform, Data Asset Management Platform and Data Migration Tool, received the Alibaba Cloud product eco-integration certification, and have been implemented by many customers.

8. *Continuously broadening financing channels and providing financial guarantee for our Company's development*

In order to ensure sustainable development, our Company has actively sought diversified financing channels to provide stronger assistance for the future development of our Company. During the Reporting Period, Beijing Financial Street Capital Operation Group Co., Ltd ("**Financial Street Capital**") entered into an investment agreement with Suoxinda Beijing, an indirect wholly-owned subsidiary of our Company, under which Financial Street Capital provided an investment of RMB100 million to Suoxinda Beijing for its technology research and development, market expansion and acquisition of quality financial big data technology companies. As a state-owned capital operation platform, the investment will provide Suoxinda Beijing with various relevant resources to support its future business expansion and capital market development.

In addition, our Company also raises funds in the capital market through private placement. During the Reporting Period, our Company raised approximately HK\$60,826,000. This not only provided our Company with the necessary funding for development, but also fully demonstrated the confidence of the subscribers in the overall development prospects and growth potential of our Company.

III. Outlook

Looking ahead to 2023, we believe that China's macroeconomic performance will continue to improve, the trend of economic improvement will remain unchanged, and the promising prospect for the financial technology and digital transformation will also remain unchanged. With the enterprise's return to normal development, coupled with the national policy of supporting technology autonomous innovation, information technology application innovation industry and digital intelligence, the domestic financial industry will continue to maintain strong demand for digital intelligence upgrade, and the industry will continue to maintain high quality development and more room for growth.

In February 2023, the Central Committee of the Communist Party of China and the State Council issued the Plan for the Overall Layout of Building a Digital China (the "**Plan**"). The Plan proposes key points such as to construct a self-reliant and self-improving digital technology innovation system, strengthen the dominant status of enterprise technology innovation, facilitate the in-depth integration of digital technology and the real economy, and accelerate the innovation and application of digital technology in key areas such as agriculture, industry, finance, education, healthcare, transportation and energy. The Plan proposes to accelerate the enhancement in the scale and quality of data resources, effectively release the key value of data and achieve a significant breakthrough in digital technology innovation by 2025. The Plan also proposes that by 2035, the goal is to secure a global leading position in the level of digitalisation development and attain significant achievements in the construction of digital China. In March of the same year, China announced the establishment of the National Data Bureau (國家數據局), which is responsible for coordinating and promoting the construction of the fundamental data system, coordinating and planning data resource integration for sharing, development and use, as well as coordinating the planning and construction of digital China, the digital economy, and the digital society. According to the forecast of CCID Consulting, the overall IT investment in China's banking sector will reach RMB513.234 billion by 2026, with an average compound annual growth rate ("**CAGR**") of 16.66% from 2022 to 2026. The market size of the banking IT solutions market in China is expected to reach RMB139.011 billion by 2026, with an average CAGR of 23.55% from 2022 to 2026. This all bring favorable prospects for the future development of our Company.

In the future, our Company will continue to focus on the in-depth development of data intelligence and marketing technology sectors; insist on data-oriented approach supported by operations to achieve interactive development; strengthen the cooperation and support of internal and external ecological resources, enhance the risk resilience of enterprises to achieve long-term sustainable development with vitality. We will carry out continuous innovation and reform and keep abreast with the trend to bring strong growth momentum to the enterprise. In particular, our Company will focus on the following aspects to determine its new development strategies, continue to build its core competitiveness, create new engines of development and achieve steady development:

1. *Focus on the advantageous sectors and continue to refine and optimise our business*

In the future, our Company will continue to optimise the customer structure, base on bank customers, target financial institutions to explore new customers, carry out business in the national market, continue to deepen the cooperation and solid foundation with major customers and regular customers, and broaden and deepen the development with top-tier financial institutions. Our Company will continue to improve customer satisfaction by improving product quality and solution service capabilities, further expand its market influence, maintain the renewal rate of large customers, explore new customers, target more types of institutions and business scenarios, and continue to extend the width and depth in empowering financial digital transformation.

At the same time, our Company will continue to refine and optimise data intelligence and marketing technology, fully utilising its end-to-end data capabilities and integrating its composite talent advantage with its rich experience in serving top-tier banks over the years to provide customers with mature, stable and forward-looking products and service solutions.

2. *Seize the information technology application innovation opportunities and empower further development of financial information technology application innovation*

In the future, it is expected that under the guidance of the national policy and driven by the demand of financial institutions' own digital transformation, financial information technology application innovation will continue to evolve in depth and generate a large amount of demand for domestic replacement. Our Company will continue to seize the opportunities arising from information technology application innovation and domestic replacement to provide customers with autonomous and controllable domestic products and solutions.

Meanwhile, our Company will continue to leverage on the platform and power of ecological cooperation, and actively promote the open co-construction of the information technology application innovation ecosystem, jointly creating and building with ecological partners in terms of capabilities, technology and models, so as to provide customers with efficient, mature and reliable data solutions. Our Company will create strong synergy with its ecological partners, expand its influence and customer coverage with the power of ecosystem, create more benchmark cases of information technology application innovation in the industry, as well as integrate and apply successful experiences in more fields and organisations.

3. *Strengthen data foundation and enhance data gene*

Our Company will continue to build up the two advantageous capabilities of data and marketing, further leverage on the connection of the front, middle and back-end of the data chain and talent advantages, enhance product R&D capabilities, continue to upgrade and optimise products, help customers release the value of data, and drive business growth through data. Our Company will continue to optimise and upgrade its products through data intelligence and marketing technology, build its signature products, and focus on the development of data platform, data migration, data analysis, data mining, label portrait, intelligent marketing and regulatory compliance products.

Our Company will continue to strengthen its solution service capabilities in the application aspect, such as the construction and operation of underlying data platforms, data asset management, database migration, data analysis, data-based intelligent marketing and regulatory compliance applications, and establish an end-to-end technology and service system. We will strengthen the autonomous product R&D capabilities, and continuously and iteratively upgrade and optimise the product system according to the latest customer needs.

4. *Actively develop joint operation business and expand the room for growth of our Company*

Our Company will focus on the joint operation innovation business as its one of the key development directions. It has set up an exclusive intelligent operation department to develop and operate the joint operation market and explore new joint operation market. At the same time, we will continue to innovate and explore cooperation models with customers, promote deeper and more efficient cooperation with customers, as well as search for cooperation models that can bring more efficient empowerment to the financial digital transformation, so as to achieve win-win development with customers and create diversified momentum for our Company's business growth.

Cooperation between financial technology companies and financial institutions is an important approach to promote financial digital transformation. The joint operation model has become a new promising and feasible business cooperation model to achieve a win-win situation. The partnership of financial institutions + technology companies can realise efficient digital transformation by complementing each other's advantages, jointly build a digital ecology, facilitate the implementation of technology and products, and continuously optimise and iterate solutions. Under this model, financial technology companies are no longer technical service providers. Instead, it can bring the cooperation to the actual operation level, transforming from the simple party A and party B relationship in the past to an integrated partnership model, which is more conducive to the utilisation of the complementary advantages of both parties, thus strengthening the trust and deepening cooperation to obtain greater benefits and achieve a win-win situation.

5. *Improve the autonomous technology capabilities and optimise talent structure*

Our Company will shoulder the main responsibility of autonomous innovation in technology, fully utilise its demonstration role in the area of autonomous intellectual property rights, persistently step up its efforts in the autonomous R&D of core technologies, increase the investment in technology R&D and the training of professional and technical personnel, continuously upgrade and optimise products and solutions, empower digital transformation and business innovation with autonomous and controllable technologies, and continuously create value for customers. Our Company will continue to adhere to the data-oriented talent structure, attract high-level talents in professional fields, optimise the talent structure, establish an all-round and composite talent structure, expand the team of high-quality data intelligence and marketing technology experts, focus on talent cultivation, with the “Guangdong Financial AI Engineering Technology Research Centre” and “Postdoctoral Innovation Practice Base” in Shenzhen as foundations, strengthen the construction of the platform and mechanism for cultivating talents in industry, academia and research, and fully unleash the talent-driven power for enterprise development.

6. *Diversified financing portfolio to seek sustainable exogenous momentum*

Based on its own operation and development needs, our Company will continue to actively seek to introduce multiple financing channels through scientific decision-making, optimise the shareholder structure by introducing external financing, strategic investors, capital market financing and other channels to provide diversified sources of capital for our Company's development and facilitate its business growth. Meanwhile, our Company will make full use of internal and external resources to optimise the corporate governance structure, improve the operational efficiency, enhance the enterprise's self-restoration function, form a recyclable closed-loop driving force, and lead the enterprise to achieve long-term and steady development.

In the future, our Company will continue to take various active measures to maintain continuous growth in performance and profits, seek continuous growth breakthroughs in business, and strengthen our leading position in data intelligence and marketing technology sector in China.

FINANCIAL REVIEW

1 Revenue

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue		
– Data solutions	267,589	257,741
– Sales of hardware and software and related services as an integrated service	77,914	92,783
– Information technology (IT) maintenance and support services	31,623	46,848
	<u>377,126</u>	<u>397,372</u>

Revenue for the Reporting Period amounted to approximately RMB377,126,000, representing a decrease of approximately 5.1% or approximately RMB20,246,000 as compared with 2021. The decrease in revenue was mainly due to (1) our Company's proactive optimisation of the business structure to reduce the investment and sales efforts in hardware and software sales and related services as an integrated service, IT maintenance and support services, and focus on the steady growth and high quality development of the core data solutions business, resulting in a decrease of approximately 16.0% or approximately RMB14,869,000 in revenue from the sales of hardware and software and related services as an integrated service; a decrease of approximately 32.5% or approximately RMB15,225,000 in revenue from the IT maintenance and support services; and (2) a slower growth of the Group's data solutions business than expected due to the impact of the COVID-19 pandemic, with an increase of approximately 3.8% or RMB9,848,000 in the relevant revenue as compared with 2021.

2 Gross profit and gross profit margin

Gross profit for the Reporting Period amounted to approximately RMB89,339,000, representing a decrease of approximately 30.9% as compared with 2021. The decrease in gross profit was mainly due to (1) the continuous impact of the COVID-19 pandemic and the strict containment measures implemented in the Mainland China, which prevented the Group's delivery team from timely accessing customers' project sites to complete the work, resulting in longer project completion cycle, thus increasing the operating costs; and (2) the decrease in revenue during the Reporting Period.

Gross profit margin for the Reporting Period was approximately 23.7%, representing a decrease of approximately 8.8% as compared with 2021 (2021: 32.5%). The decrease in gross profit margin was mainly due to: (1) lower gross profit of orders from the Group's new strategic customers; (2) lower revenue from the sales of hardware and software and related services as an integrated service which carries higher gross profit; and (3) longer testing and delivery cycle for data analysis solutions projects as impacted by the COVID-19 pandemic.

3 Selling expenses

For the Reporting Period, we recorded selling expenses of approximately RMB24,822,000, representing a decrease of approximately 31.2% or approximately RMB11,270,000 as compared with 2021. Selling expenses accounted for approximately 6.6% of our revenue for 2022 (2021: approximately 9.1%). The decrease in selling expenses was mainly due to (1) the change of some marketing activities from offline to online as a result of the COVID-19 pandemic, resulting in a decrease in marketing expenses of approximately 70.9% or approximately RMB6,857,000 as compared with 2021; and (2) the optimisation of the sales and pre-sales team, resulting in a decrease in related staff costs of approximately 17.3% or approximately RMB3,844,000 as compared with 2021.

4 Research and development expenses

During the Reporting Period, we recorded R&D expenses of approximately RMB39,580,000, representing a decrease of approximately 35.6% or approximately RMB21,882,000 as compared with 2021 and accounting for approximately 10.5% of the revenue for the Reporting Period (2021: approximately 15.5%). The decrease in R&D expenses was mainly due to: some personnel of the R&D team were transferred to the implementation team, as our Company's products developed previously had become increasingly mature and the focus was shifted to the promotion and application of the products to achieve continuous refinement during the application process, resulting in a decrease in staff costs for the R&D team of approximately 46.0% or approximately RMB20,746,000 as compared with 2021.

5 Administrative expenses

During the Reporting Period, we recorded administrative expenses of approximately RMB99,606,000, representing an increase of approximately 9.5% or approximately RMB8,674,000 as compared with 2021. The increase in administrative expenses was mainly due to: (1) the increase in expenses related to share-based payments of approximately 255.8% or approximately RMB14,764,000 arising from the grant of share options and awarded shares during 2022; and (2) the increase in amortisation of intangible assets of approximately 190.8% or approximately RMB5,522,000; however, part of the increase was offset due to (1) the decrease in relevant fees paid to consultants and attorneys of approximately 44.0% or approximately RMB7,110,000 during the Reporting Period as compared with 2021; and (2) the decrease in administrative expenses of approximately RMB2,106,000 as a result of the Group's streamlining the office space which led to a decrease in rental expenses, and the optimisation of the administrative management team.

6 Income tax expenses

During the Reporting Period, we recorded income tax credit of approximately RMB5,487,000 (2021: tax credit of approximately RMB3,501,000). Such change was mainly due to the increase in deferred tax credit recognised for decelerated tax depreciation and expected credit losses on financial and contract assets.

7 Net loss for the year

Net loss for the Reporting Period amounted to approximately RMB124,022,000 (2021: net loss of RMB75,987,000).

The main reasons for the increase in net loss were:

- 1) the impact of the COVID-19 pandemic and the strict containment measures implemented in the Mainland China, which prevented our Group's delivery team from timely accessing customers' project sites to complete the work, resulting in longer project completion cycle, thereby increasing the operating costs by approximately RMB19,611,000;
- 2) the expenses related to share-based payments of approximately RMB20,536,000 (2021: RMB5,772,000) arising from the grant of share options and awarded shares during 2022 by the Group in order to attract and retain outstanding talents;

- 3) depreciation and amortisation of property and equipment, intangible assets and right-of-use assets of approximately RMB39,645,000 (2021: RMB27,934,000), among which, the amortisation of self-developed products increased by approximately RMB5,241,000;
- 4) provision for impairment of financial and contract assets of our Group of approximately RMB24,397,000 based on prudent consideration;
- 5) impairment of property and equipment, intangible assets and right-of-use assets of approximately RMB24,000,000 due to business strategy adjustment; and
- 6) due to the streamlining and optimisation of office space, our Company relocated three main offices. The amortisation of the renovation expense of the original office was included in the expenses for the Reporting Period in advance in a lump sum, resulting in a decrease in other gain of approximately RMB4,666,000.

8 Loss for the year attributable to owners of our Company

For the Reporting Period, loss for the year attributable to owners of our Company was approximately RMB128,192,000 (2021: loss attributable to owners of our Company of approximately RMB76,238,000). Such change was mainly due to the increase in the net loss for the Reporting Period as mentioned above.

9 (Loss)/earnings per share

Basic and diluted loss per share of our Company for the Reporting Period amounted to approximately RMB30.9 cents. Basic and diluted loss per share for 2021 amounted to approximately RMB19.0 cents.

10 Liquidity and financial resources

	For the year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	(21,306)	(12,039)
Net cash inflow/(outflow) from investing activities	(51,797)	(50,033)
Net cash inflow/(outflow) from financing activities	65,273	10,154

The balance of our Group's cash and cash equivalents as at 31 December 2022 was approximately RMB15,111,000, representing a decrease of approximately RMB6,844,000 as compared with cash and cash equivalents as at 31 December 2021.

A *Operating activities*

The net cash used in operating activities of our Group during the Reporting Period amounted to approximately RMB21,306,000, representing an increase of approximately RMB9,267,000 as compared with the amount of net cash used in operating activities in 2021, 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 of our Group for the Reporting Period was approximately RMB51,797,000, mainly for the investment in associated companies 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 RMB65,273,000. The increase in the net cash generated from financing activities was mainly due to: (1) the financing by the issuance of shares; (2) Suoxinda Beijing, an indirectly wholly-owned subsidiary of our Company, obtaining the investment of convertible loans from Financial Street Capital; and (3) the Group obtaining financing from banks and other financial institutions.

D *Capital expenditure*

Our Group did not incur capital expenditure during the Reporting Period.

11 Capital structure

Bank and other borrowings

As at 31 December 2022, our bank borrowings were approximately RMB73,594,000, other borrowings were approximately RMB7,997,000.

Debt securities

As at 31 December 2022, our Group had convertible loans which were designated as financial liabilities at FVTPL of approximately RMB41,981,000.

Contingent liabilities

As at 31 December 2022, our Group had no major contingent liabilities or guarantees.

Treasury policy

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

Gearing ratio

The gearing ratio of our Group as at 31 December 2022 was approximately 143.6% (2021: approximately 67.8%). The increase in gearing ratio was mainly due to: (1) an increase in bank and other borrowings of approximately RMB31,283,000 as compared with 2021; and (2) an increase in financial borrowings of approximately RMB41,981,000 during the Reporting Period. The gearing ratio is calculated by dividing the sum of bank and other borrowings, convertible borrowings and amounts due to Directors by our total equity as at the end of the Reporting Period.

12 Pledge of assets

As at 31 December 2022, our Group's bank borrowings were secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of approximately RMB14,850,000 (31 December 2021: approximately RMB11,550,000);
- (ii) building of our Group of approximately RMB10,128,000 (31 December 2021: approximately RMB10,852,000);
- (iii) pledged bank deposits of approximately RMB221,000 (31 December 2021: approximately RMB221,000);
- (iv) our Group's outstanding trade receivables of approximately RMB36,323,000 owed by certain customers (31 December 2021: approximately RMB3,131,000);
- (v) our Group's other deposits of approximately RMB1,000,000 (31 December 2021: approximately RMB500,000); and
- (vi) personal guarantees from Mr. Song, Mr. Wu and their spouses and a director of a subsidiary.

13 Capital commitments

As at 31 December 2022, our Group had no capital commitments.

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

On 19 April 2022, Suoxinda Beijing, an indirect wholly-owned subsidiary of our Company, entered into an investment agreement with Financial Street Capital, Suoxinda Shenzhen and Mr. Song, pursuant to which, Financial Street Capital agreed to make an investment (the “**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 31 December 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 our Company. Accordingly, the transactions contemplated under the investment agreement will constitute deemed disposal of our Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Details of the Investment and the deemed disposal are set out in the announcement of our Company dated 19 April 2022 and the supplemental announcement of our Company dated 20 October 2022. As at the date of this announcement, the parties were still under negotiation in relation to the subsequent arrangements of the Investment.

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

As the majority of the Group’s business transactions, assets and liabilities are denominated primarily in the functional currencies of our Group’s entities, the Group is exposed to certain foreign currency risks. Our Group implemented effective management policies to closely monitor changes in foreign exchange rates and regularly review foreign exchange risks. Our Group will consider hedging significant foreign currency risk when necessary.

16 Future plans for material investments or capital assets

Our Group currently has no other plans for material investments or capital assets.

OTHER INFORMATION

Remuneration policy and employment benefits

Our Group had 770 employees altogether in Mainland China and Hong Kong as at 31 December 2022. 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 for employees in Mainland China.

Our Directors and senior management of our Group receive compensation in the form of salaries, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. The primary goal of the remuneration policy with regard to the 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 not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have experienced any difficulties in the recruitment and retention of experienced staff during the Reporting Period.

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

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

Compliance with the Corporate Governance Code

Our Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. 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, our 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, our Company appointed Mr. Song as an authorised representative, our Company has been in compliance with the requirements under Rule 3.05 of the Listing Rules. On 26 August 2022, our Company appointed Mr. Yang Haifeng as an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee (the “**Audit Committee**”) and the nomination committee of our Company (the “**Nomination Committee**”) and Dr. Chen Wai as the chairman of the Nomination Committee. Our Company has been in compliance with the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules. Save as disclosed, the Board has reviewed our Company's corporate governance practices and is satisfied that our Company had complied with all the code provisions set out in Part 2 of the CG Code during the Reporting Period.

Compliance with the Model Code for Securities Transactions by Directors

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding our Directors’ dealings in the securities of Company. Having made specific enquiries of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

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

Audit Committee

Our Company has established the Audit Committee comprising the existing independent non-executive Directors, namely Mr. Yang Haifeng, Dr. Chen Wei and Ms. Dan Xi. The Audit Committee has reviewed the annual results and the audited consolidated financial statements of our Group for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control with senior management members and the auditors of our Company. Based on this review and discussions with the management and the auditors, the Audit Committee was satisfied that our Group’s audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present our Group’s financial position and results for the year ended 31 December 2022.

Scope of work of ZHONGHUI ANDA CPA Limited

The figures in respect of our Group’s consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the Reporting Period as set out in this results announcement have been agreed by our Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in our Group’s audited consolidated financial statements for the Reporting Period. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on this results announcement.

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 “**2019 Annual Report**”), the actual net proceeds of the Share Offer was approximately HKD104.0 million after deduction of listing expenses (the “**Net Proceeds**”). Set out below is the status of the use of Net Proceeds from the Share Offer:

	Allocation percentage % of Net Proceed	Allocation of the Net Proceeds (HK\$ million)	Utilised Net Proceeds as at 31 December 2022 (HK\$ million)	Unutilised Net Proceeds as at 31 December 2022 (HK\$ million)
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	–
Enhancement of our sales and marketing efforts including corporate branding activities	20%	20.8	20.8	–
Development of the financial AI laboratory, the display centre and office facilities (<i>Note i</i>)	35%	36.4	32.9	3.5
Potential strategic acquisition to supplement our organic growth (<i>Note ii</i>)	6.35%	6.6	5.0	1.6
Working capital and other general corporate purposes (<i>Note ii</i>)	18.65%	19.4	19.4	–
Total	100%	104.0	98.9	5.1

Notes:

- (i) As disclosed in the announcements of our Company dated 2 December 2020 and 24 December 2021, 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 (as defined in the 2019 Annual Report) in Shenzhen. However, as one of the conditions precedent for the completion of acquisition of the Haina Property (as defined in the 2019 Annual Report) could not be fulfilled, our Company terminated the acquisition of the Haina Property (as defined in the 2019 Annual Report) with the relevant seller on 2 December 2020. As a result, our Board intend to apply the unutilised Net Proceeds for such purpose to search for new locations for the development of our Group's financial AI laboratory, display centre and office facilities. Our Board has also subsequently resolved to extend the timetable for using all the unutilised Net Proceeds to on or before 31 December 2022 for our Group's long term business development and better utilisation of the unutilised Net Proceeds. As additional time is needed for searching suitable locations, our Board has further resolved to extend the timetable for using the remaining proceeds of approximately HK\$3.5 million for development of the financial AI laboratory, the display centre and office facilities to by 31 August 2023.
- (ii) As disclosed in the announcement of our Company dated 24 December 2021, our Company originally intended to apply approximately 15.0% of the Net Proceeds from the Share Offer, or approximately HK\$15.6 million for the potential strategic acquisition to supplement our Group's organic growth. However, our Company has yet to identify new suitable targets for acquisition that our Board considers to be beneficial to our Group and our shareholders as a whole. As a result, our Board has resolved to re-allocate approximately HK\$9.0 million for potential strategic acquisition to supplement our Group's working capital and for general corporate purpose to enhance the efficiency in capital use. Our Board has also resolved to extend the timetable for using all the unutilised Net Proceeds to on or before 31 December 2022 for our Group's long term business development and better utilisation of the unutilised Net Proceeds. As at the date of this announcement, all of the remaining proceeds of approximately HK\$1.6 million for strategic acquisition to supplement our organic growth has been fully utilised by our Company.

Dividend

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

Sufficient public float

Based on the information that is publicly available to our Company and to the best knowledge of our Directors, our Company has maintained a sufficient public float for the issued shares (i.e. at least 25% of the issued shares being held by the public) as required under the Listing Rules as at the date of this results announcement.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15 January 2023, our Company (as issuer) entered into subscription agreements with no less than 6 subscribers in respect of the subscription of an aggregate of 50,800,000 shares of our Company at the subscription price of HK\$0.645 per share (the “**January Subscription**”). The January Subscription was completed on 22 February 2023 and an aggregate of 50,800,000 shares of our Company were issued and allotted to no less than 6 subscribers. After deducting related fees and expenses, the net proceeds of the January Subscription amounted to approximately HK\$31,533,000. Our Company intends to utilise the aforesaid net proceeds from the January Subscription for working capital and general corporate purposes. For details, please refer to the announcements of our Company dated 15 January 2023 and 22 February 2023 and the next day disclosure return dated 22 February 2023.

On 19 March 2023, our Company (as issuer) entered into subscription agreements with no less than 6 subscribers in respect of the subscription of an aggregate of 175,500,000 shares of our Company at a subscription price of HK\$0.76 per share, which are to be issued under a specific mandate to be sought from our shareholders at the general meeting of our Company. An application will be made by our Company to the Stock Exchange for the listing of, and permission to deal in, the said subscription shares. For details, please refer to the announcement of our Company dated 19 March 2023.

Save as disclosed above, there were no important events affecting our Group that have occurred after 31 December 2022 and up to the date of this results announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

By order of the Board
Suoxinda Holdings Limited
Wu Fu-Shea
Chairman of the Board

Hong Kong, 27 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Wu Xiaohua and Mr. Shi Banchao, three non-executive Directors, namely, Dr. Wu Fu-Shea, Mr. Chen Zhenping and Ms. Zhao Yue, and three independent non-executive Directors, namely, Dr. Chen Wei, Mr. Yang Haifeng and Ms. Dan Xi.