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 2019

RESULTS SUMMARY

Revenue for the Reporting Period amounted to approximately RMB257,915,000, representing an increase of approximately 39.0% as compared to the previous year. This was mainly due to an approximately 92.0% increase in revenue generating from data solutions business as compared with the previous year.

Gross profit for the Reporting Period amounted to approximately RMB91,594,000, representing an increase of approximately 45.2% as compared to the previous year. This was mainly due to growth in the data solutions business.

Net profit for the Reporting Period amounted to approximately RMB4,124,000, representing a decrease of approximately 81.8% as compared to the previous year. This was mainly due to the expenses incurred for the Company's listing in the Reporting Period. After adjusting for listing expenses, the net profit was approximately RMB27,975,000.

Basic and diluted earnings per share for the Reporting Period amounted to RMB1.4 cents per share, representing a decrease of approximately 81.8% as compared to the previous year. This was mainly due to a decrease in the net profit for the Reporting Period due to expenses incurred for the Company's listing in the Reporting Period.

The board (the "**Board**") of directors (the "**Directors**") of Suoxinda Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018.

In this announcement, "we", "us" and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	3	**257,915**	185,549
Cost of sales	4	**(166,321)**	(122,472)
Gross profit		**91,594**	63,077
Selling expenses	4	**(12,738)**	(8,739)
Administrative expenses	4	**(54,024)**	(19,218)
Research and development expenses	4	**(17,500)**	(10,757)
Other income		**6,040**	3,526
Other gains, net		**1,165**	2,182
Operating profit		**14,537**	30,071
Finance income	5	**234**	662
Finance costs	5	**(4,296)**	(3,561)
Finance costs, net	5	**(4,062)**	(2,899)
Share of profit of an associate		**40**	—
Profit before income tax		**10,515**	27,172
Income tax expenses	6	**(6,391)**	(4,529)
Profit for the year		**4,124**	22,643
Attributable to:			
Owners of the Company		**4,124**	23,156
Non-controlling interests		**—**	(513)
		4,124	22,643

	Note	**2019**	2018
		RMB'000	*RMB'000*
Profit for the year		**4,124**	22,643
Other comprehensive (loss)/income			
Items that may be reclassified to profit:			
— Currency translation differences		**(245)**	275
Total comprehensive income for the year, net of tax		**3,879**	22,918
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**3,879**	23,431
Non-controlling interests		**—**	(513)
		3,879	22,918
Earnings per share for profit attributable to owners of the Company:			
Basic and diluted earnings per share *(RMB cents)*	*7*	**1.4**	7.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**17,178**	17,663
Intangible assets		**19,536**	20,774
Right-of-use assets		**5,651**	5,521
Investment in an associate		**440**	—
Prepayments		**40,884**	20,000
Deferred tax asset		**226**	—
		83,915	63,958
Current assets			
Trade receivables	*8*	**51,240**	15,040
Contract assets	*9*	**47,624**	44,110
Prepayments		**1,983**	3,108
Other financial assets at amortised cost		**3,956**	3,341
Inventories		**3**	283
Pledged bank deposits		**6,503**	8,312
Cash and cash equivalents		**178,452**	44,266
		289,761	118,460
Total assets		**373,676**	182,418
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**3,578**	—
Other reserves		**191,719**	62,848
Retained earnings		**14,263**	13,016
Total equity		**209,560**	75,864

	Note	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		—	51
Lease liabilities		**3,605**	4,266
Other borrowings	*11*	**6,438**	—
		10,043	4,317
Current liabilities			
Trade payables	*10*	**41,523**	11,855
Accruals and other payables		**29,591**	17,399
Contract liabilities	*9*	**12,789**	3,901
Current income tax liabilities		**7,967**	6,538
Lease liabilities		**1,791**	1,474
Bank and other borrowings	*11*	**60,412**	61,070
		154,073	102,237
Total liabilities		**164,116**	106,554
Total equity and liabilities		**373,676**	182,418
Net current assets		**135,688**	16,223
Total assets less current liabilities		**219,603**	80,181

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 "**Listing Business**").

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**"), the Listing Business was mainly carried out by Shenzhen Suoxinda Data Technology Co. Ltd. ("**Suoxinda Shenzhen**") and its subsidiaries (collectively the "**Operating Companies**"). Before the completion of the Reorganisation, the Operating Companies were controlled by Mr. SONG Hongtao ("**Mr. Song**"), who is the ultimate controlling shareholder of the Group. The Reorganisation has been completed on 25 February 2019 and since then, the Company became the holding company of the Operating Companies now comprising the Group.

The Company listed its shares on Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2019 (the "**Listing**").

The consolidated financial information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company, 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 information 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 information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and related interpretations. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss, which is carried at fair value.

Immediately prior to and after the Reorganisation, the Listing Business was held by the Operating Companies controlled by Mr. Song.

Pursuant to the Reorganisation, the Operating Companies are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. Accordingly, the Reorganisation has been accounted for as a recapitalisation of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the Operating Companies. The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as if the current group structure had been in existence as at 1 January 2018.

The preparation of consolidated financial information 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.

IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted. The Group has early adopted IFRS 16 during the year ended 31 December 2018 as disclosed in the prospectus of the Company dated 28 November 2019.

(a) New and amended standards and interpretations not yet adopted by the Group

The following new and amended standards and new interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group.

		Effective for accounting years beginning on or after
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendment)	Definition of Business	1 January 2020
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Hedge Accounting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretation to existing standards upon initial application but not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have any significant impact on its results and operations and financial position.

3 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
— Data solutions	**166,440**	86,696
— Sales of hardware and software and related services as an integrated service	**54,742**	60,851
— IT maintenance and support services	**36,733**	38,002
	257,915	185,549
Timing of revenue recognition		
— At a point in time	**54,742**	60,851
— Over time	**203,173**	124,698
	257,915	185,549

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 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 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 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	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**48,832**	*
Customer B	**35,259**	*
Customer C	*	18,542

* represents the amount of revenue from such customer which is less than 10% of the total revenue of that year.

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
The PRC	**208,876**	179,642
Hong Kong	**49,039**	5,907
	257,915	185,549

All the Group's non-current assets are located in the PRC.

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 use "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 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Material costs	**66,675**	53,043
Employee benefit expenses (including directors' emoluments)	**73,083**	46,205
Subcontracting service fee	**50,768**	36,950
Listing expenses	**23,851**	4,975
Entertainment and travelling expenses	**3,837**	2,955
Amortisation of intangible assets	**5,330**	2,869
Operating lease rental payments	**3,138**	535
Depreciation of right-of-use assets	**1,967**	2,006
Promotion expenses	**2,553**	2,661
Consulting service fee	**350**	1,910
Office expenses	**2,378**	1,872
Depreciation of property and equipment	**1,861**	1,211
Other taxes	**1,208**	1,066
Legal and professional fees	**1,125**	992
Auditor's remuneration		
— Audit services	**1,341**	23
Provision for impairment of trade receivables *(Note 8)*	**2,173**	142
Provision for impairment of contract assets *(Note 9)*	**3,525**	—
Share-based compensation — non employee *(Note i)*	**2,432**	—
Others	**2,988**	1,771
Total cost of sales, selling, administrative and research and development expenses	**250,583**	161,186

Note:

(i) During the Reorganisation, one investor acquired 6% equity interests of a subsidiary of the Group in January 2019 for a cash consideration of approximately RMB4,167,000. The excess of fair value of the equity interests issued as of the issuance date over the cash consideration received by RMB2,432,000 and the difference was directly charged to the consolidated statement of comprehensive income for the year ended 31 December 2019 given no vesting conditions existed.

5 FINANCE COSTS, NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
— Interest income on bank deposits	**234**	662
Finance costs		
— Interest expense on bank and other borrowings	**(4,005)**	(3,257)
— Finance charges on lease liabilities	**(291)**	(304)
	(4,296)	(3,561)
Finance costs, net	**(4,062)**	(2,899)

6 INCOME TAX EXPENSES

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax	**1,875**	330
— PRC enterprise income tax	**4,793**	4,395
Deferred income tax	**(277)**	(196)
Income tax expenses	**6,391**	4,529

(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 2019 (2018: 16.5%).

(ii) PRC enterprise income tax

Suoxinda Shenzhen and Suoxinda (Beijing) Data Technology Co., Ltd. ("**Suoxinda Beijing**") were recognised by relevant PRC authorities as National High and New Technological Enterprise ("**NHNTE**") and were entitled to a preferential EIT rate of 15% for the year ended 31 December 2019 (2018: 15%).

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**10,515**	27,172
Less: share of profit of an associate, net of tax	**(40)**	—
Profit before income tax before share of profit of an associate	**10,475**	27,172
Tax calculated at domestic tax rates applicable to profits of the respective companies	**5,533**	4,042
Income not subject to tax	**(50)**	(173)
Expenses not deductible for tax purposes	**1,473**	1,198
Super deduction for research and development expenses *(Note i)*	**(1,410)**	(827)
Tax losses for which no deferred tax was recognised	**845**	289
Income tax expenses	**6,391**	4,529

Note:

(i) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim up to 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2018 and 2019.

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares issued during the respective periods. In determining the weighted average number of ordinary shares, 300,000,000 shares of the Company, which resulted from the issue and allotment of shares by the Company in connection with the Reorganisation, had been treated as if such shares were issued on 1 January 2018.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company *(RMB'000)*	**4,124**	23,156
Weighted average number of ordinary shares in issue *(Number of shares in thousand)*	**304,932**	300,000
Basic and diluted earnings per shares *(RMB cents per share)*	**1.4**	7.7

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion 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. During the year ended 31 December 2019, the Group has no dilutive potential ordinary shares (2018: Same).

8 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**54,034**	15,661
Less: provision for trade receivables	**(2,794)**	(621)
	51,240	15,040

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	
	2019	2018
	RMB'000	*RMB'000*
RMB	**50,426**	14,525
United States Dollar ("USD")	**798**	513
Hong Kong Dollar ("HK$")	**16**	2
	51,240	15,040

As at 31 December 2019, trade receivables of the Group of approximately RMB9,404,000 have been pledged to certain bank borrowings of the Group (2018: RMB13,005,000) (Note 11(a)).

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

	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**(621)**	(479)
Provision for doubtful receivables	**(2,173)**	(142)
At the end of the year	**(2,794)**	(621)

(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	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**47,693**	15,035
3 to 6 months	**3,979**	350
6 months to 1 year	**2,289**	32
Over 1 year	**73**	244
	54,034	15,661

(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 grouped based on the days past due. The expected credit losses below also incorporate forward looking information. Financial assets are written off when there is no reasonable expectation of recovery.

The loss allowance provisions as of 31 December 2018 and 2019 are determined as follows:

	Current	**Up to 3 months past due**	**3 to 6 months past due**	**6 months to 1 year past due**	**Over 1 year past due**	**Total**
31 December 2018:						
Expected loss rate	1%	4%	7%	25%	100%	
Gross carrying amount *(in thousand)*	8,504	6,595	286	32	244	15,661
Loss allowance provision *(in thousand)*	85	264	20	8	244	621
31 December 2019:						
Expected loss rate	1%	5%	10%	25%	100%	
Gross carrying amount *(in thousand)*	26,231	17,344	7,547	2,634	278	54,034
Loss allowance provision *(in thousand)*	262	867	728	659	278	2,794

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)

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract assets	**51,149**	44,110
Less: provision for contract assets	**(3,525)**	—
	47,624	44,110
Contract liabilities	**(12,789)**	(3,901)

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 and have substantially the same risk characteristics as the trade receivables. As at 31 December 2019, the Group has recognised provision on contract assets of approximately RMB3,525,000 (2018: Nil).

The following table shows the revenue recognised during the year ended 31 December 2018 and 2019 related to carried-forward contract liabilities:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	**3,901**	433

10 TRADE PAYABLES

Trade payables analysis is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**41,523**	11,855

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**40,698**	3,881
31 to 60 days	**147**	5,826
61 to 90 days	**631**	231
Over 90 days	**47**	1,917
	41,523	11,855

The carrying amounts of the trade payables approximate their fair values as at 31 December 2018 and 2019. The trade payables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**40,709**	10,522
HK$	**10**	1,333
USD	**804**	—
	41,523	11,855

11 BANK AND OTHER BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Other borrowings *(Note (b))*	**6,438**	—
	6,438	—
Current		
Bank borrowings *(Note (a))*	**51,390**	61,070
Other borrowings *(Note (b))*	**9,022**	—
	60,412	61,070
Total	**66,850**	61,070

(a) Bank borrowings

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest-bearing bank borrowings	**51,390**	61,070

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	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**51,390**	61,070

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 2019 (2018: 6.2%).

As at 31 December 2019, the Group had aggregate banking facilities of approximately RMB61,474,000 (2018: RMB70,058,000). Unused facilities as at the same date amounted to approximately RMB10,084,000 (2018: RMB8,988,000). The Group's banking facilities are secured and/or guaranteed by:

(i) corporate guarantee from an independent third party of RMB8,000,000 as at 31 December 2019 (2018: Nil);

(ii) building of the Group of approximately RMB12,299,000 as at 31 December 2019 (2018: RMB13,022,000);

(iii) pledged bank deposits of approximately RMB6,503,000 held at bank as at 31 December 2019 (2018: RMB8,312,000);

(iv) trade receivables of the Group of approximately RMB9,404,000 as at 31 December 2019 (2018: RMB13,005,000); and

(v) other deposits of the Group of RMB800,000 as at 31 December 2019 (2018: Nil).

Unlimited personal guarantee from the controlling shareholder, a shareholder of the Company and their spouses, and corporate guarantee from independent third parties as at 31 December 2018 were all released in 2019.

(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	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**9,022**	—
One to two years	**6,438**	—
	15,460	—
Less: portion classified as current liabilities	**(9,022)**	—
Within 1 year	**6,438**	—

The Group entered into loan agreements dated 11 March 2019 and 7 December 2019 with an independent third party at a principal amount of RMB7,700,000 and RMB10,500,000. The loans bear interest at 8.1% and 5.7% per annum and are denominated in RMB. The loans are repayable in equal monthly instalments and will be settled on 29 March 2021 and 26 December 2021. As at 31 December 2019, the loans are secured by:

(i) other deposits of RMB1,200,000 (2018: Nil); and

(ii) certain equipment of the Group amounting to approximately RMB3,258,000 (2018: Nil).

The carrying amounts of other borrowings approximate their fair values as at 31 December 2018 and 2019.

12 DIVIDENDS

During the year ended 31 December 2018, dividends amounting to approximately RMB35,075,000 were declared and paid by Suoxinda Shenzhen to its then equity holders.

No dividends had been paid or declared by the Company during the year ended 31 December 2019 (2018: Nil).

13 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the date of the statements of financial position are as follows:

	2019	2018
	RMB'000	*RMB'000*
Property		
— Contracted but not provided for	**21,960**	41,960

(b) Operating lease commitments — Group as lessee

The Group leases a number of premises under non-cancellable operating leases. The leases are for various terms and are generally renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable short-term and low-value leases are as follows:

	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**467**	266

14 EVENTS AFTER THE DATE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak")

Following the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented globally. The Group have assessed that as a result of the COVID-19 outbreak, it may have the following possible impact to the Group:

- progress of projects in the PRC were delayed temporarily in the first quarter because of the postponement of work resumption after the Chinese New Year holidays, which may in turn affect the operating results of the Group for the first half of 2020; and

- the temporarily slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets which may increase the associated credit risks.

Up to the date of this announcement, the impacts of the COVID-19 outbreak on the Group's financial performance and the macro-economic conditions as a whole remain uncertain, the Group is unable to quantify the related financial effects. The Group will continue to monitor and assess the development of the COVID-19 outbreak and evaluate its financial impact on the Group.

(b) Entering of asset management agreement

On 24 February 2020, the Group entered into the asset management agreement with Wonderland International Asset Management Limited, an independent third party. Pursuant to the asset management agreement, the Company agreed to appoint Wonderland International Asset Management Limited as the investment manager to manage a fund of HK$30,000,000, which have been deposited in cash by the Group to a designated account opened with and maintained by Wonderland International Securities Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, although there was slow-down of global economic growth and global trade, China's economy remained steady overall. As a result of complicated and changeable environment and increasingly fierce competition, China's financial sector has undergone changes and businesses have been actively looking for business transformation plan and future business structural adjustment through digital transformation.

Our Group is a market player in the big data and artificial intelligence ("**AI**") industry in China, focusing on providing data solutions based on big data and AI technologies for the financial industry, including precision marketing solutions and risk management solutions. Although the external environment is complicated and changeable, with our technology advantages, stable customer base, strategy of focusing and deepening market penetration in the financial industry and mechanism for recruiting and training talents, our overall performance has achieved gratifying growth and our market position as an established service provider in the big data and AI service industry has been further strengthened.

Focusing on data solutions in the financial sector has achieved substantial growth

Leveraging our competitive advantages and taking advantage of the significant momentum of industry growth in financial sector, we strategically focus on providing data solutions to customers in the financial industry. Utilising our data solutions, many customers in the financial industry have effectively reduced their operating costs and improved their operating efficiency. Our total revenue for the Reporting Period increased by 39.0% as compared with the previous year and our revenue from data solutions business for the Reporting Period increased by 92.0% as compared with the previous year. Our revenue generated from financial industry customers showed steady growth and accounted for 65.0% of our total revenue for the Reporting Period. The proportion of our revenue from data solutions business in our total revenue increased from 46.7% in the previous year to 64.5% for the Reporting Period. Our revenue from precision marketing solutions increased by 69.2% as compared with the previous year. Our precision marketing solutions are closed-loop data solutions which facilitate planning, designing, execution and evaluation of marketing activities and help customers to manage different stages of their target clients' lifecycle. Furthermore, we have in-depth business knowledge and experience in providing risk management solutions such as real-time fraud detection, credit assessment and in other financial industry application scenarios.

Continue to enhancing our research and development capabilities and infrastructure

We believe it is very important to continuously invest in technology research and development. During the Reporting Period, our research and development expenses increased by approximately 62.7% as compared with the previous year. We have set up a financial AI laboratory in order to explore the applications of cutting-edge technologies and enhance our data solutions. A solution utilising the interpretable neural network model has received positive feedback from one of our customers (a joint-stock urban commercial bank) in the Reporting Period. We have published technical articles jointly with The University of Hong Kong and worked closely with them on the development of large-scale machine learning models for Fintech and FinTech indices (金融技術公司指數) of the Guangdong-Hong Kong-Macao Greater Bay Area. Big data and AI technical strengths are the keys to our successful development and delivery of innovative solutions. We have applied machine learning, natural language processing, knowledge mapping and other related technologies to our product development and solutions delivery. Our Suoxinda Lingxi Intelligent Marketing Platform (索信達靈犀智能營銷平台) has been continuously iterating and upgrading and has enhanced with a number of new functions such as personalized recommendation, real-time marketing and tag management, etc. in order to meet the needs of financial industry customers in their digital marketing activities. As at the date of this announcement, we have obtained 59 software copyrights and have applied for 17 invention patents that are related to our businesses. Through our financial AI laboratory, product research and development and cooperation with top universities, we could further enhance our research and development strength and develop new technology to enhance our core competitiveness.

Talents recruit and development

We continuously optimize recruitment mechanism and provide the talents with more competitive salary and welfare. During the Reporting Period, we recruited experienced professionals in operations management, marketing, technology development and other fields to further strengthen and improve our management, sales and marketing and research capability.

MANAGEMENT REVIEW

During the Reporting Period, our Group's overall revenue achieved a high growth rate of approximately 39.0% as compared with the previous year. Our revenue from data solutions business increased by approximately 92.0% as compared with the previous year. With in-depth financial industry experience and excellent solutions delivery capability, our Group's brand awareness has been increasing and our revenue and customer base during the Reporting Period have been further optimized. The proportion of our revenue from data solutions business in our total revenue increased from approximately 46.7% for the previous year to approximately 64.5% for the Reporting Period. Our revenue generated from financial industry customers showed steady growth and accounted for approximately 65.0% of our total revenue for the Reporting Period.

The increase in our overall revenue during the Reporting Period amounted to approximately RMB72,366,000. The increase in revenue was mainly due to our Group benefiting from further improvement of our data solutions business and the increase in orders from our customers in the financial sector.

Our selling expenses during the Reporting Period increased by approximately RMB3,999,000 or 45.8% as compared with the previous year. The main reasons for the increase were: (1) the increase of marketing and promotion expenses in relation to expanding sales activities in the Northern and Eastern China market and to financial institutions such as urban commercial banks, rural commercial banks and securities companies; (2) the increase of expenses to enhance our brand image and market recognition by organising and participating in more marketing events, such as meetings organised by the China Greater Bay Region Institute of Financial Innovation (粵港澳大灣區金融創新研究院), etc.; and (3) the increase of relevant sales teams and marketing personnel for our continuous and rapid development.

During the Reporting Period, our research and development expenses increased by approximately RMB6,743,000 or 62.7% as compared to the previous year. The main reasons for the increased research and development expenses were: (1) we have established the financial AI laboratory to explore the application of cutting-edge innovative technologies, and enhance the training of AI talents; and (2) we have increased investment in research and development by recruiting more research and development personnel to continuously improve the development of our core technologies and solutions.

Our net current asset increased to approximately RMB135,688,000 as at 31 December 2019, representing an increase of approximately 736.4% as compared to that of the previous year. Our total assets increased to approximately RMB373,676,000 as at 31 December 2019, representing an increase of approximately 104.8% as compared to that of the previous year.

FUTURE PROSPECT

Looking ahead to 2020, while the global macro-economic situation remains uncertain, there are both market opportunities and challenges. The outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") is expected to have an impact on both supply and demand sides of the global economy at least in short term. Up to the date of this announcement, the impacts of the COVID-19 outbreak on our financial performance and the macro-economic conditions as a whole remain uncertain, we are unable to quantify the related financial effects.

Based on the following considerations, our Directors believe that there might be some business opportunities in the long term:

1. With the COVID-19 outbreak gradually under effective control in China, the Chinese government will implement policies to support the recovery of economic activities, and the financial industry will be a key to stabilize and promote economic development.

2. We have a strong financial industry customer base, and our data solutions and services have covered 55.6% of China's state-owned banks and joint-stock commercial banks. At the same time, with in-depth industry knowledge and practical experience, as well as a strong and professional solutions service team, we have established a long-term and stable cooperative relationship with our customers and the revenue derived from our repeat customers (being customers or their affiliates, who have contributed to our revenue previously) accounted for nearly 78.8% of our revenue for the Reporting Period.

3. With the development of the Internet and the upgrading of services in the financial industry, as well as the social distancing caused by the COVID-19 outbreak, the demand of the financial industry for data solutions and other IT services is also experiencing a substantial growth.

4. In 2020, we will increasingly invest in marketing and research and development, enhance our penetration in the existing market and actively expanding markets outside banks to securities companies, insurance companies and other financial institutions. We will also actively look for suitable targets to acquire in these market segments.

5. In view of the Chinese government's huge investment in the promotion of digital city and digital industry in 2020, we will actively engage in the transformation and digitization of the financial sector by bringing our sophisticated big data and AI technologies to the local market players in the financial industry and improve their service capabilities. We will focus on the financial digitization segments and provide our core technologies and business experience through multiple channels and dimensions.

In terms of specific implementation of our strategies for 2020, we focus on the following aspects:

1. Strengthening our capability in offering sophisticated and comprehensive data solutions and services to keep our competitive edge

Leveraging on our accumulated experience and strong and professional solutions service team, we have established comprehensive capability in offering sophisticated data solutions and services along the industry value chain, from the underlying data infrastructure such as data environment preparation and data warehouses, all the way to the upper-level data analysis, cutting-edge AI model development and business consulting. We will continue to strengthen the competitive advantage of our data solutions and services, strengthen and deepen our cooperation with the existing customers, create cross-selling opportunities and expanding to new markets.

2. *Increasing our collaboration with leading university and our research and development efforts*

We will increase our investments in technology research and development. During the Reporting Period, we have technical collaboration with The University of Hong Kong and entered into two memoranda of understanding with them regarding the development of (i) FinTech indices (金融技術公司指數); and (ii) large-scale machine learning models for Fintech. In the future, we will continue to combine their theoretical research frontiers with our business application experience, work closely together in multiple fields such as interpretable machine learning models, develop more application-oriented technologies to support the development of our innovative solutions and serve the increasingly diversified needs of our customers. In terms of research and development, we will continue to focus on precision marketing solutions and risk management solutions in the financial industry and continuously refine our data solutions and products according to customers' needs.

3. *Developing three major regional markets in southern China, northern China and eastern China in parallel*

Markets in northern China, including Beijing and eastern China, including Shanghai are major financial centres in China and are the headquarters or administrative centers of major domestic financial institutions and our target customers. We were mainly focused on the southern China market in the past. As such, there is considerable room for our Group to grow in the eastern and northern China markets. In order to accelerate regional market development and localize our service delivery capabilities, we have set up teams in northern China and eastern China and hired senior and experienced industry professionals to lead the teams. In 2020, we will develop the southern China, northern China and eastern China markets simultaneously. In line with our expansion plans, we will organise or participate more marketing events focused on our each target market to increase our brand publicity and help us establish relationship with potential customers in each target market.

4. *Expanding four new market sectors and increasing our market coverage and achieve growth*

We will continue to develop our existing high quality customer base in the financial industry which consists of leading banks such as state-owned banks and joint stock commercial banks. Meanwhile, in 2020, we will actively seek to penetrate into the mid-tier market which comprises a large number of small and mid-sized banks and financial institutions, such as urban commercial banks and rural financial institutions, as well as the securities companies and insurance companies. We believe we are able to capitalise on our industry reputation, proven track record and extensive project experience with leading banks and financial institutions, and work with local partners to further expand into these emerging market sectors.

5. Selective strategic acquisition to enhance our market position

Big data and AI solutions market in the PRC is highly fragmented and we continue to look for selective strategic acquisition. Our acquisition targets include: (1) information technology startups with cutting-edge technologies and advanced research and development capabilities which could further enhance our research and development capabilities and our competitive advantages of advanced technologies; (2) companies with an attractive niche customer base and strong execution capability to further expand our customer reach and regional coverage; and (3) small scale market players along the industry value chain whose businesses can be vertically integrated with our business, thus enhancing our business structure and operational efficiency. We will continue to seek for selective strategic acquisition to enhance market position.

6. Strengthening our talent team and our image as good employer to ensure business development

We continue to recruit, motivate and develop key talents to form a benign incentive ecology and a high stability team through performance assessment and management, equity incentive plan and a good corporate culture, etc. We intend to build an efficient organization with highly consistent values, and encourage efficient collaboration between different departments and to drive long-term and mutually beneficial results. We continue to provide good working experience to our employees and strengthen our image as good employer, which we believe are very important for our sustainable and rapid development.

FINANCIAL REVIEW

1. Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
— Data solutions	**166,440**	86,696
— Sales of hardware and software and related services as an integrated service	**54,742**	60,851
— IT maintenance and support services	**36,733**	38,002
	257,915	185,549

For the Reporting Period, we recorded revenue of approximately RMB257,915,000, an increase of approximately 39.0%, or RMB72,366,000, over last year. Such increase in revenue was mainly due to our Group benefiting from the further improvement of our data solutions business and the increase in orders from our customers in the financial sector.

Revenue from data solutions business was approximately RMB166,440,000, an increase of approximately 92.0%, or RMB79,744,000, over last year, mainly due to the increase in orders from our customers in the financial sector.

Revenue from sales of hardware and software and related services as an integrated service was approximately RMB54,742,000, a decrease of approximately 10.0%, or RMB6,109,000, over last year, mainly due to our Group's strategic focusing on provision of data solutions to leverage our technological capabilities and to capture industry growth momentum, and the sales of software and hardware and related services as an integrated service decreased accordingly.

Revenue from IT maintenance and support services was approximately RMB36,733,000, a decrease of approximately 3.3% or RMB1,269,000, over last year, mainly due to fewer customer demands for IT maintenance and support services.

2. Gross profit and gross margin

For the Reporting Period, we recorded a gross profit of approximately RMB91,594,000, an increase of approximately 45.2% or RMB28,517,000, over last year, while the gross margin was approximately 35.5% (2018: 34.0%), remained relatively stable with that of last year. The gross margin of data solutions business was approximately 34.3% (2018: 37.3%), that of sales of hardware and software and related services as an integrated service was approximately 40.4% (2018: 30.9%), and that of IT maintenance and support services was approximately 33.5% (2018: 31.4%).

3. Selling expenses

For the Reporting Period, we recorded an increase of approximately 45.8% or RMB3,999,000, in selling expenses over last year. The selling expenses accounted for approximately 4.9% of our revenue, which is comparable to the last year. The increase in the selling expenses was mainly due to the increase in the employee benefit expenses for relevant sales and marketing personnel and the increase in promotion and marketing expenses as we increased our sales and marketing activities.

4. Research and development expenses

For the Reporting Period, we recorded an increase of approximately 62.7% or RMB6,743,000 in research and development expenses over last year. Such expenses accounted for approximately 6.8% of our revenue of the year, increased from approximately 5.8% for the last year. The increase in the overall research and development expenses was due to our Group continued to increase investments in the financial AI laboratory and in strengthening our research and development efforts on the existing and new solutions and products.

5. Administrative expenses

For the Reporting Period, we recorded an increase of approximately 181.1% or RMB34,806,000 in administrative expenses over last year, mainly because of (1) one-off listing expenses increased by approximately RMB18,876,000 over last year; (2) provision for impairment of trade receivables and contract assets increased by approximately RMB5,556,000 over last year; (3) salary and benefits expenses for employees increased by approximately RMB5,374,000 over last year; and (4) share-based compensation to a non-employee of approximately RMB2,432,000 during the Reporting Period.

6. Income tax expenses

For the Reporting Period, we recorded an increase of approximately RMB1,862,000 in income tax expenses, and the total income tax expenses amounted to approximately RMB6,391,000. The increase in income tax expenses was mainly due to the increase in the profit before tax for the Reporting Period, excluding the effect of non-deductible expenses, included but not limited to listing expenses and provision for impairment of trade receivables and contract assets.

7. Profit for the year and net profit margin

For the Reporting Period, we recorded a net profit of approximately RMB4,124,000, and a net profit margin of approximately 1.6%. After adjusting for the listing expenses, the net profit was approximately RMB27,975,000, and the net profit margin was approximately 10.8% (2018: 14.9%).

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

For the Reporting Period, the profit attributable to owners of our Company was approximately RMB4,124,000.

9. Working capital and financial resources

The following table provides an overview of our Group's cash flow for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash inflows from operating activities	**27,449**	15,575
Net cash outflows to investing activities	**(23,766)**	(14,807)
Net cash inflows from financing activities	**130,338**	2,363

Our working capital mainly came from net cash inflows from our operating activities. Our Board expects that our Group will use the net cash inflows from operating activities and bank loans for our working capital and other capital expenditures.

The ordinary shares of our Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 December 2019 and there has been no change in capital structure of our Group since then.

The balance of our Group's cash and cash equivalents as at 31 December 2019 was approximately RMB178,452,000, an increase of approximately RMB134,186,000 compared with cash and cash equivalents as at 31 December 2018.

A. Operating activities

Net cash from operating activities for the Reporting Period was approximately RMB27,449,000, while the same for the last year was approximately RMB15,575,000. The increase in net cash from operating activities was mainly due to an increase in trade payables and other payables and a decrease in contract assets/liabilities and trade receivables.

B. Investing activities

The net cash used by our Group in the investing activities for the Reporting Period was approximately RMB23,766,000, mainly due to acquisition of Haina Property in Shenzhen, China and purchase of equipment for the financial AI laboratory of approximately RMB25,766,000 and the purchase of intangible assets.

C. Financing activities

The net cash from financing activities of our Group for the Reporting Period was approximately RMB130,338,000, mainly comprised of proceeds from the issuance of 100,000,000 shares of the Company at an offer price of HK$1.50 per share by the Share Offer (as defined below).

D. Capital expenditures

For the Reporting Period, we recorded capital expenditures of approximately RMB26,166,000, mainly comprised of the costs for purchase properties, machineries and equipment, to purchase of intangible assets and to invest in an associated company. All capital expenditures were financed from our internal sources and bank loans.

10. Capital structure

Bank and other borrowings

As at 31 December 2019, we have short-term bank borrowings of approximately RMB51,390,000, short-term other borrowings of approximately RMB9,022,000 and long-term other borrowings of approximately RMB6,438,000.

Debt securities

As at 31 December 2019, our Group had no debt securities.

Contingent liabilities

As of 31 December 2019, our Group had no major contingent liabilities or guarantees.

Treasury Policy

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

11. Pledge of assets

As at 31 December 2019, bank borrowings of our Group are pledged by:

(i) building of our Group of approximately RMB12,299,000 (2018: RMB13,022,000);

(ii) bank deposit of approximately RMB6,503,000 (2018: RMB8,312,000);

(iii) trade receivables of approximately RMB9,404,000 (2018: RMB13,005,000); and

(iv) other deposits of RMB800,000 (2018: Nil).

As at 31 December 2019, other borrowings of our Group are pledged by:

(i) other deposits of RMB1,200,000 (2018: Nil); and

(ii) certain equipment of our Group of approximately RMB3,258,000 (2018: Nil).

12. Major acquisitions and disposals of affiliated companies, associated companies and joint ventures

During the Reporting Period, our Group has invested in Caixin (Nanjing Jiangbei New District) Financial Technology Service Co., Ltd., at a consideration of RMB400,000 by subscribing 20% equity interest in the company. Save as disclosed above, there were no major acquisitions and disposals of affiliated companies, associated companies and joint ventures in the Reporting Period.

OTHER INFORMATION

Remuneration Policy and Employment Benefits

The Group had 428 employees altogether in the PRC and Hong Kong as at 31 December 2019. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC.

The Directors and senior management of the 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 the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

The Group have not experienced any significant problems with its employees or disruption to the Group's operations due to labour disputes, nor have experienced any difficulties in the recruitment and retention of experienced staff.

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 period from 13 December 2019 (the "**Listing Date**"), the date on which the Company's successfully listed (the "**Listing**") on the Main Board of the Stock Exchange, to 31 December 2019.

Foreign Exchange Risk Exposure

The Group's sales were mainly settled in RMB, USD and HK$. Operating expenses and purchases were mainly settled in RMB, while some expenses were settled in USD and HK$. As at 31 December 2019, the proceeds received from the Listing were denominated in HK$. Therefore, the foreign exchange risk assumed by the Group primarily arises from movements in the HK$ and RMB exchange rates. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB could vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The Group implemented an effective management policy to monitor closely changes in foreign exchange rates and review regularly foreign exchange risks.

Capital Commitments

The Group has certain capital commitments relating to the acquisition of the Haina Property in Shenzhen. The following table sets forth our capital commitments outstanding for the periods indicated:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Property		
— Contracted but not provided for	**21,960**	41,960

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the period from the Listing Date to 31 December 2019.

Compliance with the Model Code for Securities Transactions by Directors

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 the code of conduct regarding the Directors' dealings in the securities of the 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 period from the Listing Date to 31 December 2019.

Audit Committee

The Audit Committee (comprising Mr. Tu Xinchun, Ms. Zhang Yahan and Dr. Qiao Zhonghua) has reviewed the audited consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the auditor. Based on this review and discussions with the management and the auditor, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period.

Review of the Annual Results Announcement

The figures in respect of the 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 announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Use of Net Proceeds from the Share Offer

The ordinary shares with a nominal value of HK$0.01 each of the Company (the "**Shares**") were successfully listed on the Stock Exchange on the Listing Date 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 announcement of the Company dated 12 December 2019 relating to the offer price and allotment results (the "**Result Announcement**"), the net proceeds of the Share Offer was approximately HK$114.5 million from its Share Offer after the deduction of the estimated listing expenses (the "**Net Proceeds**").

As disclosed in the prospectus of the Company dated 28 November 2019 (the "**Prospectus**"), the estimated amount of the listing expenses is approximately RMB31.7 million (based on the mid-point of the then indicative offer price range of HK$1.80 to HK$1.50 per Share, including underwriting commission and excluding any discretionary incentive fee which may be payable by the Company). The actual listing expenses incurred are approximately RMB41.1 million, which was higher then the estimated amount of the listing expenses mainly due to additional service fees paid to certain professional parties involved in the Listing for additional works incurred and discretionary bonus paid to a professional party involved in the Listing.

In light of the difference between the actual listing expenses and the estimated amount of the listing expenses as disclosed in the Prospectus, the Group has adjusted the intended use of the actual amount of the Net Proceeds on a pro-rata basis as disclosed in the Prospectus.

As disclosed in the Prospectus, the Group intends to utilise approximately HK$10.0 million of Net Proceeds for developing the display centre, the financial AI laboratory and office facilities during the period from the Listing Date to 31 December 2019. Due to the short period of time between the Listing Date and 31 December 2019, the Company has not utilised any Net Proceeds as at 31 December 2019. Such portion of the unutilised Net Proceeds will be used by the Company for the same purpose in the financial year ending 31 December 2020.

Set out below are details of the original allocation of the Net Proceeds as disclosed in the Result Announcement, the revised allocation based on the actual Net Proceeds (after the adjustments as mentioned above), and the intended use of the Net Proceeds in accordance with the allocation set out in the Result Announcement:

	Allocation percentage	**Original allocation of Net Proceeds set out in the Result Announcement** *(HK$ million)*	**Revised allocation based on the actual Net Proceeds** *(HK$ million)*	**Net Proceeds to be utilised for the year ending 31 December 2020** *(HK$ million)*	**Net Proceeds to be utilised for the year ending 31 December 2021** *(HK$ million)*
Strengthening and expansion of the Group's data solution offerings through continuously attracting and retaining high-quality personnel and offering attractive compensation packages to retain the Group's employees	20%	22.9	20.8	10.0	10.8
Enhancement of the Group's sales and marketing efforts including corporate branding activities	20%	22.9	20.8	10.0	10.8
Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen	35%	40.0	36.4	17.8	18.6
Potential strategic acquisition to supplement the Group's organic growth	15%	17.2	15.6	8.3	7.3
Working capital and other general corporate purposes	10%	11.5	10.4	10.4	—
Total	100%	114.5	104.0	56.5	47.5

Final Dividend

The Board has resolved not to declare any final dividend for the Reporting Period.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Assessment of COVID-19 Outbreak

Following the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented globally. The Group have assessed that the COVID-19 outbreak may have the following possible impacts to the Group:

- progress of projects in the PRC were delayed temporarily in the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holidays, which may in turn affect the operating results of the Group for the first half of 2020; and

- the temporarily slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets which may increase the associated credit risks.

Up to the date of this announcement, the impacts of the COVID-19 outbreak on the Group's financial performance and the macro-economic conditions as a whole remain uncertain, the Group is unable to quantify the related financial effects. The Group will continue to monitor and assess the development of the COVID-19 outbreak and evaluate its financial impact on the Group.

Asset Management Agreement

On 24 February 2020, the Company entered into the asset management agreement with Wonderland International Asset Management Limited, an independent third party. Pursuant to the asset management agreement, the Company agreed to appoint Wonderland International Asset Management Limited as the investment manager to manage a fund of HK$30.0 million, which have been deposited in cash by the Group to a designated account opened with and maintained by Wonderland International Securities Limited.

Saved as disclosed above, there is no other material event of the Group after the Reporting Period and up to the date of this announcement.

PROPOSED ADOPTION OF THE SHARE OPTION SCHEME AND SHARE AWARD SCHEME

The Board is pleased to announce that the Board has resolved to propose the adoption of a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") for the approval by the Shareholders. The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The purposes of the Share Option Scheme and the Share Award Scheme are to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group retain its existing employees and recruiting additional employees and to provide it with a direct economic interest in attaining the long-term business objectives of the Group.

The proposed adoptions of the Share Option Scheme and the Share Award Scheme are subject to the approval of the Shareholders by way of ordinary resolutions at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**"). A circular containing, among other things, the notice of the Annual General Meeting and details of the Share Option Scheme and the Share Award Scheme will be despatched to the Shareholders in accordance with the requirements of the Listing Rules, together with the Company's annual report for the Reporting Period and proxy form for the Annual General Meeting in due course.

As at the date of this announcement, the Share Option Scheme and the Share Award Scheme remain subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities.

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 the Company (www.datamargin.com). The annual report of the Company will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2020

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