索信达控股有限公司

SUOXINDA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3680

Annual Report 2019

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS	Mr. Song Hongtao *(Chairman of the Board)* Mr. Wu Xiaohua Mr. Lam Chun Hung Stanley Ms. Wang Jing
INDEPENDENT NON-EXECUTIVE DIRECTORS	Mr. Tu Xinchun Ms. Zhang Yahan Dr. Qiao Zhonghua
COMPANY SECRETARY	Mr. Wong Tin Yu *(ACS, ACIS)*
AUTHORIZED REPRESENTATIVES	Mr. Lam Chun Hung Stanley Mr. Wong Tin Yu
AUDIT COMMITTEE	Mr. Tu Xinchun *(Committee Chairman)* Ms. Zhang Yahan Dr. Qiao Zhonghua
REMUNERATION COMMITTEE	Ms. Zhang Yahan *(Committee Chairman)* Mr. Tu Xinchun Dr. Qiao Zhonghua
NOMINATION COMMITTEE	Mr. Song Hongtao *(Committee Chairman)* Ms. Zhang Yahan Dr. Qiao Zhonghua
INDEPENDENT AUDITOR	**PricewaterhouseCoopers** *Certified Public Accountants and Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
COMPLIANCE ADVISOR	**Essence Corporate Finance (Hong Kong) Limited** 39/F., One Exchange Square Central Hong Kong
HONG KONG LEGAL ADVISOR	**Miao & Co.** **(in Association with Han Kun Law Offices)** Rooms 3901–05, 39/F. Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong

Corporate Information

REGISTERED OFFICE	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
PRINCIPAL PLACE OF BUSINESS IN THE PRC	1301A, Microprofit Building Hi-Tech Industrial Park Nanshan District Shenzhen the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
PRINCIPAL BANKS	**China Construction Bank** **Shenzhen Jinsha Branch** Shop 137, 1st Floor KK ONE Mall Jingji Binhe Times Square No. 9289 Binhe Avenue Futian District, Shenzhen the PRC
	China Merchants Bank **Shenzhen Weisheng Building Branch** 1st Floor, Weisheng Technology Building No. 9966 Shennan Road Nanshan District, Shenzhen the PRC
WEBSITE	www.datamargin.com
STOCK CODE	3680

Financial Highlights

Financial Highlights

RESULT SUMMARY

Revenue for the year ended 31 December 2019 (the "Reporting Period") amounted to approximately RMB257,915,000, representing an increase of approximately 39.0% as compared with 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 with the previous year. This was mainly due to growth in the Group's data solutions business. Gross margin for the Reporting Period remained relatively stable at approximately 35.5% (2018: 34.0%) for the Reporting Period.

Net profit for the Reporting Period amounted to approximately RMB4,124,000, representing a decrease of approximately 81.8% as compared with the previous year. This was mainly due to expenses incurred for the Company's listing in the Reporting Period. After adjusting for listing expenses, the net profit was approximately RMB27,975,000 (2018: RMB 27,618,000), and the net profit margin was approximately 10.8% (2018: 14.9%).

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 with 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 this report, "we", "us", "our", "Suoxinda" and the "Company" refer to Suoxinda Holdings Limited, and where the context otherwise requires, the Group (being the Company together with its subsidiaries). The English translations of the PRC entities, enterprises and organisation in this annual report are marked with * and are for identification purposes only.

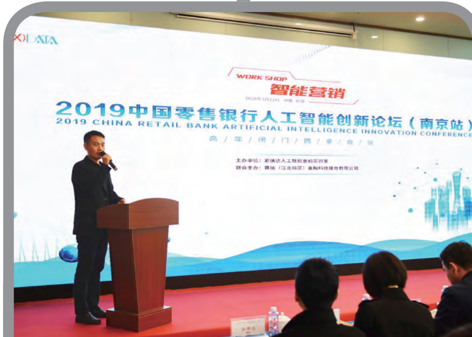
Milestones in 2019

Set up Financial AI laboratory and entered into strategic cooperation with the University of Hong Kong

Won the bronze award of Innovative Solutions in China Fintech Innovation Competition of 2019

Released Suoxinda Lingxi Intelligent Marketing Platform 4.0

Fully sponsored and collaborated with the University of Hong Kong to launch the first index series reflecting the overall trend of fintech development in Hong Kong and The Great Bay Area



The 2019 retail banking AI innovation forum was successfully held

Listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 3680)

Chairman's Statement

Chairman's Statement

Mr. Song Hongtao
Chairman of the Board

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of Suoxinda Holdings Limited and our subsidiaries for the Reporting Period.

2019 is a year of great significance and a new starting point for us. Thanks to the joint efforts of all our staff, we achieved an overall business growth of 39%, and a growth of 92% in our core business, data solution business. Our Company was successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 December 2019 (the "Listing Date"). From the listing on National Equities Exchange and Quotations in the People's Republic of China (the "PRC") in 2016 to the Listing on Main Board of the Stock Exchange in 2019, not only have we raised our status in the capital market, but also continuously transformed and upgraded of our business and core technologies over these three years. We strategically focused on the financial sector. Our excellent solution delivery capabilities enabled us to continuously secure new orders and gain recognition from customers. Our services covered 55.6% of the state-owned banks and joint stock commercial banks in the PRC, and gradually expanded to a significant number of city commercial banks and rural financial institutions. We also have accumulated expertise and experiences in the market sectors of insurance companies, securities companies and other sizeable enterprises. We transformed advancements of the big data and artificial intelligence ("AI") technologies into practical solutions, and deeply studied the application scenarios of our customers, playing significant roles in promoting digital transformation of our financial customers and continuously create business value. Our successful Listing in 2019 has enhanced our capital strength and brand reputation, and attracted leading talents in the industry to join our Group, including senior data analysts, financial business experts, big data and AI technology experts, as well as Mr. Wu Fu-Shea, our chief executive officer with more than 20 years of experience in business management in the world's leading data companies. These actions will help us take advantages of the significant momentum of growth in the big data and AI industry, capture the market opportunities arising from the technological transformation of the PRC financial industry, further enhance our innovation and service capabilities, and make finance smarter through technology.

In 2020, our Company will increase our investment in sales and marketing as well as research and development efforts, continue to expand our service coverage in the niche markets of banks and financial institutions, actively expand into other market sectors, such as insurance companies, securities companies, the emerging digital finance service providers, and enhance our cooperation and communication and establish strategic partnership with leading internet technologies companies. We will globally seek for industry professionals in areas such as interpretable machine learning to deploy key technologies for future AI applications. In the year of 2020, we establish solid foundation and facing better market opportunities. In view of the PRC government's huge investments in digital city and digital industry upgrading, we will actively seek opportunities relating to the construction of the digital financial sector, bring our leading digital application technologies in financial sector to the local market players and improve their digital service capabilities. We will closely focus on the digital financial segments, and provide our core technologies and business experience through multi-channels and a multi-dimensional manner. We will also pursue acquisition of companies with appropriate technologies, customer bases or business models in our target markets, and seek more cooperation with the government with respect to big data and AI industrial parks and the construction of industrial ecological chain. In the future, we believe we will continue to create more values for our Shareholders.

Song Hongtao
Chairman of the Board

Management Discussion and Analysis

Management Discussion and Analysis

Mr. Wu Fu-Shea
Chief Executive Officer

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

Our Group is a market player in the big data and 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 enhance 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 (索信达靈犀智能營銷平台) 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 annual report, 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 our recruitment mechanism and provide 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 capabilities.

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. Such 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 increasing 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 the supply and demand sides of the global economy at least in short term. Up to the date of this annual report, 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 the COVID-19 outbreak may bring business opportunities in the long term:

1. With the COVID-19 outbreak gradually under 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 stabilising and promoting 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 for data solutions and other IT services from the financial industry is also experiencing a substantial growth.

4. In 2020, we will increase our investments 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 digitisation 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 digital financial segments and provide our core technologies and business experience through multiple channels and dimensions.

Management Discussion and Analysis

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 where the headquarters or administrative centers of major domestic financial institutions and our target customers are located. 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

	For the 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

Management Discussion and Analysis

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 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 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. Selling expenses accounting 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 accounting for approximately 6.8% of our revenue of the year, increased from 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) employee benefit expenses for administrative employees increased by approximately RMB5,374,000 over last year; (4) share-based compensation to a non-employee of approximately RMB2,432,000.

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, share-based payment compensation, 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 (2018: RMB22,643,000), and a net profit margin of approximately 1.6% (2018: 12.2%). Such decreases were primarily due to the listing expenses incurred in 2019. After adjusting for the listing expenses, the net profit was approximately RMB27,975,000 (2018: RMB27,618,000), 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 RMB3,879,000 (2018: RMB23,431,000). Such decrease was mainly due to the listing expenses incurred in 2019.

9. Earnings per share

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

Management Discussion and Analysis

10. Liquidity and financial resources

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

	For the 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

Apart from the proceeds received from the Listing, 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 (the "Shares") were successfully listed on 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 accounts payable and a decrease in contract assets/liabilities and trade receivables.

B. *Investing activities*

The net cash used by our Group in investing activities in the Reporting Period was approximately RMB23,766,000, mainly due to the cost of approximately RMB25,766,000 for purchasing a property situated at 3rd Floor, Block 2, Haina Centre Phrase I, Guangqiao Avenue No. 1163, Guangming High-Tech Park, Baoan District, Shenzhen, the PRC (the "Haina Property"), equipment for the financial AI laboratory and the intangible assets.

C. *Financing activities*

The net cash from financing activities of our Group in 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 HKD1.50 per Share by Share Offer (as defined below).

D. Capital expenditures

For the Reporting Period, we recorded capital expenditures of approximately RMB25,766,000, mainly comprised of the costs for purchasing property and equipment, and for purchasing intangible assets. All capital expenditures were financed from our internal sources and bank loans.

11. 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 or 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.

Gearing ratio

The gearing ratios as at 31 December 2019 and 2018 were approximately 31.9% and 80.5% respectively. The decrease of gearing ratio was mainly due to the increase of total equity, which were approximately RMB75.9 million as at 31 December 2018 and approximately RMB209.6 million as at 31 December 2019, respectively.

Gearing ratio was calculated based on our total bank and other borrowings as at the end of each year divided by our total equity as at the same date.

12. 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) pledged 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).

13. 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

14. Significant Investment, acquisitions and disposal 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 material investment, material acquisitions and disposals of affiliated companies, associated companies and joint ventures in the Reporting Period.

15. Foreign exchange risk exposure

Our Group's sales were mainly settled in RMB, USD and HKD. Operating expenses and purchases were mainly settled in RMB, while some expenses were settled in USD and HKD. As at 31 December 2019, the proceeds received from the Share Offer were denominated in HKD. Therefore, the foreign exchange risk assumed by our Group primarily arises from movements in the HKD and RMB exchange rates. During the Reporting Period, we did not experience any significant difficulties in or impacts on our 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. Our Group implemented an effective management policy to monitor closely changes in foreign exchange rates and review regularly foreign exchange risks. Our Group will consider hedging significant foreign currency exposure when necessary.

16. Future plans for material investments or capital assets

As disclosed in the prospectus of our Company dated 28 November 2019 ("the Prospectus"), our Group has entered into agreements with an independent third party to purchase Haina Property at a consideration of RMB62.0 million. The Haina Property has a gross floor area of 3,098 sq.m. We have paid RMB40.0 million by 31 December 2019 with respect to the acquisition of Haina Property and the remaining amount of RMB22.0 million will be settled in the first half year of 2020, which is expect to be financed by our internal resources. Save as disclosed above and in the section headed "Use of net proceeds from the Share Offer" of this annual report, our Group have no other future plans for material investments or capital assets.

Directors, Senior Management and Company Secretary

Directors, Senior Management and Company Secretary

The biographical details of the Directors, senior management and company secretary of the Company are set out as follows:

Executive Directors

Mr. Song Hongtao (宋洪濤), aged 42, is the chairman of our Board and our executive Director. He is responsible for the overall operation, management and formulation of business strategy of our Group. He joined our Group in June 2004 as the sales manager and was appointed as the deputy general manager in May 2006 and was appointed as the general manager and a director of our Group in December 2015. He obtained a bachelor's degree in law from Southern Institute of Metallurgy (南方冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in June 2000. He is also the chairman of the Nomination Committee of our Company.

Mr. Song has over 14 years of experience in the information technology service industry. In particular, Mr. Song has 6 years of experience in data solution services since 2013. Prior to joining our Group, Mr. Song served as a business manager of Shenzhen Meicheng Technology Company Limited* (深圳市美承科技有限公司) from June 2001 to May 2004.

Mr. Wu Xiaohua (吳曉華), aged 46, is our executive Director. He is responsible for the overall management and formulation of business strategy of our Group. He joined our Group in May 2006 as the general manager and was appointed as a director, the chief financial officer and the deputy general manager of our Group in December 2015. He has also been the Company's chief executive officer from 6 December 2018 to 26 March 2020. He obtained a bachelor's degree in production automation from Shenzhen University (深圳大學) in June 1995.

Mr. Wu has over 13 years of experience in business management. Prior to joining our Group, he served as a technical engineer of Shenzhen Hongbo Communication Investment Development Company* (深圳市鴻波通信投資開發公司) (now known as Guangdong Hongbo Communication Investment Holding Co., Ltd.* (廣東鴻波通信投資控股有限公司)) from July 1995 to February 1998; and later served as the head of sales in its trade department from February 1998 to January 2000. From January 2000 to May 2006, he worked at Shenzhen Post and Material Company Limited* (深圳市郵電物資有限公司) with his last position serving as a sales manager.

Mr. Lam Chun Hung Stanley (林俊雄), aged 60, is our executive Director. He is responsible for the overall formulation of business strategy of our Group. He joined our Group in July 2014 as the chief consultant and was appointed as a director of our Group in December 2015. He obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in December 1983.

Mr. Lam has over 35 years of experience in the information technology service industry. Prior to joining our Group, he worked at (i) IBM China/Hong Kong Corporation from June 1983 to December 1991, and from October 1992 to September 1997, with his last position serving as manager, client operation in the banking, finance and security industry solutions function sector; (ii) Teradata (Hong Kong) Limited from September 1997 to January 2012, with his last position serving as a sales director; (iii) SAP Hong Kong Co Limited in Hong Kong from March 2012 to October 2012, with his last position serving as a HK country manager; and (iv) SAS Institute Limited in Hong Kong from December 2012 to June 2014 serving as the managing director.

Directors, Senior Management and Company Secretary

Ms. Wang Jing (王靜), aged 42, is our executive Director. She is responsible for the overall operation and human resources management of our Group. She joined our Group in August 2010 as the human resource manager and was later promoted as the assistant to the general manager in August 2013. In July 2016, she was appointed as the secretary of the board of directors of Shenzhen Suoxinda Data Technology Co., Ltd. ("Suoxinda Shenzhen"), our subsidiary. She received a graduation certificate in administrative management (correspondence course) issued by Hubei University of Technology (湖北工業大學) in June 2004. She also obtained the Certificate of Training for Senior Management of Listed Companies (Senior Management (Independent Director) of the listed companies of the Shenzhen Stock Exchange, Pei Xun Zi No. (1607717917))* (上市公司高級管理人員培訓結業證（深交所公司高管（獨立董事）培訓字(1607717917)）) from the Shenzhen Stock Exchange in October 2016.

Ms. Wang has engaged in human resources administration for over 15 years and gained 5 years of experience in corporate management since 2013. Prior to joining our Group, she served as (i) the personnel administration manager of Shen Zhen Long Xing Shi Industry Co., Ltd (深圳市龍興仕實業有限公司) from May 2003 to February 2004; (ii) the human resources manager of Shenzhen Lize Intelligent Technology Company Limited* (深圳麗澤智能科技有限公司) from May 2004 to March 2008; and (iii) the human resources manager of Shenzhen Jinkaitai Telecommunication Devices Company Limited* (深圳市金凱泰通訊設備有限公司) from April 2008 to June 2010.

Independent Non-executive Directors

Mr. Tu Xinchun (涂新春), aged 42, was appointed as our independent non-executive Director on 15 November 2019. He is responsible for overseeing the management of our Group independently. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of our Company.

Mr. Tu graduated with a bachelor's degree in Management from the School of Economics and Management of Lanzhou University (蘭州大學) in the PRC in July 2001. He is also a member of the Chinese Institute of Certified Public Accountants since July 2003.

Prior to joining our Group, Mr. Tu worked at Pan-China Certified Public Accountants LLP* (天健會計師事務所) from July 2001 to December 2005 with his last position serving as a manager. Mr. Tu also worked at Grant Thornton International Ltd (致同會計師事務所) from January 2006 to June 2010, with his last position serving as a partner in the Shanghai branch office. Since June 2010, he has been a partner of Ruihua Certified Public Accountants* (瑞華會計師事務所).

Ms. Zhang Yahan (張雅寒), aged 43, was appointed as our independent non-executive Director on 15 November 2019. She is responsible for overseeing the management of our Group independently. She is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of our Company.

Ms. Zhang graduated with a bachelor's degree in law from the Southern Institute of Metallurgy (南方冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in June 2000 and further obtained an Executive Masters of Business Administration in Finance from the Shanghai Advanced Institute of Finance Shanghai Jiao Tong University* (上海交通大學上海高級金融學院) in June 2016.

Prior to joining the Group, Ms. Zhang worked at Stanley & Partners Investment Management Co., Ltd. (基強聯行投資管理（中國）有限公司), a company which provides financing and real estate services, from March 2003 to February 2017, with her last position serving as a partner. Since February 2017, she has been serving as a director and general manager of Shanghai Blue Mountains Asset Management Co., Ltd.* (上海藍山資產管理有限公司), which provides management services for companies.

Dr. Qiao Zhonghua (喬中華), aged 42, was appointed as our independent non-executive Director on 15 November 2019. He is responsible for overseeing the management of our Group independently. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company.

Dr. Qiao graduated with bachelor's degree in Applied Mathematics and master's degrees in Computational Mathematics from Zhengzhou University (鄭州大學) in the PRC in June 2000 and July 2003, respectively. He also graduated with a doctor of philosophy in Computational Mathematics from the Hong Kong Baptist University in November 2006.

Prior to joining our Group, Dr. Qiao was a post doctoral research associate in the Centre for Research in Scientific Computation at North Carolina State University from July 2006 to July 2008. He had served as an assistant professor and later as a research assistant professor of the Department of Mathematics at the Hong Kong Baptist University from August 2008 to December 2011. He also served as an assistant professor at the Department of Applied Mathematics at the Hong Kong Polytechnic University from December 2011 to June 2017. Since July 2017, he has been an associate professor at the Department of Applied Mathematics at the Hong Kong Polytechnic University.

Dr. Qiao was awarded the Hong Kong Mathematical Society Young Scholars Award 2018 by the Hong Kong Mathematical Society in May 2018.

Directors, Senior Management and Company Secretary

SENIOR MANAGEMENT

Mr. Wu Fu-Shea (吳輔世), aged 61, has been appointed as our chief executive officer since 26 March 2020. He is responsible for the management of business and operation of our Group. He holds a master's degree in business administration of Tulane University, the United States and obtained a doctorate degree in management from Nankai University in December 2013. From 10 September 2019 to 12 December 2019, Mr. Wu served as the chief advisor of Suoxinda Shenzhen and was appointed as the general manager of Suoxinda Shenzhen on 13 December 2019.

With the working experience in the PRC big data solutions industry for over 20 years, Mr. Wu served as the head of the Greater China region for three globally leading scientific and technological companies, and has profound insights in the development of big data and AI in the Chinese market. Before joining our Group in September 2019, Mr. Wu was the president of Greater China region of Teradata Technology (Beijing) Co., Limited from January 1998 to December 2008; the president of Greater China region of FICO information technology (Beijing) Co., Limited from September 2009 to July 2011; and the president of Greater China region of SAS Software (Beijing) Co., Limited from August 2011 to December 2018.

Mr. Cao Xinjian (曹新建), aged 42, joined our Group in June 2016 as the chief technical officer and has been our AI department general manager since January 2019. He graduated with a bachelor's degree in Mechanical Design Manufacture and Automation from Dalian University of Technology (大連理工大學) in July 2001. He also obtained a master degree in Mechanical Design and Theory from Dalian University of Technology (大連理工大學) in April 2004.

He has over 14 years of experience in the information technology service industry. From April 2004 to March 2007, he served as a software engineer of Beijing Yanhua Xingye Electronic Technology Company Limited* (北京研華興業電子科技有限公司). He then served as senior manager in SAS Software Research and Development (Beijing) Company Limited* (賽仕軟件研究開發北京有限公司) from March 2007 to June 2016.

Ms. Wei Huijuan (魏惠娟), aged 35, is the deputy chief financial officer of our Group and joined our Group in March 2017. She received a graduation certificate for completing a self-taught higher education examination* (高等教育自學考試) in accounting issued by the Guangdong Province Self-taught Examination Committee* (廣東自學考試委員會) and Jinan University (暨南大學) in June 2013. She has obtained an intermediate accountant certificate* (中級會計資格證書) issued by the Guangdong Province Human Resources and Social Security Department* (廣東省人力資源和社會保障廳) in February 2016.

She has over 11 years of experience with accounting and financing. Prior to joining our Group, she served as an accounting supervisor at Shenzhen Jiayuanda Technology Co., Ltd.* (深圳市佳源達科技有限公司) from June 2007 to April of 2011. She then served as a finance manager at Dongguan Baoneng Steel Trading Co., Ltd.* (東莞市寶能鋼鐵貿易有限公司) from May 2011 to January 2015. She later served as a finance manager at Shenzhen Wpeak Information System Co., Ltd.* (深圳市浪峰信息系統有限公司) from February 2015 to December 2016.

Directors, Senior Management and Company Secretary

Ms. Li Qiongmei (李琼梅), aged 36, is the financial business consultancy director of our Group and joined our Group in September 2015. She graduated with a bachelor's degree in Mathematics and Applied Mathematics from Guangxi University for Nationalities (廣西民族大學) in June 2007. She further obtained a master's degree in Probability and Statistics from Guangxi Normal University (廣西師範大學) in June 2010. She has obtained an intermediate statistician certificate* (中級統計資格證書) issued by the Guangzhou Municipal Human Resources and Social Security Bureau* (廣州市人力資源和社會保障局) in March 2013. She has also been certified as a Project Management Professional by the Project Management Institute since September 2013.

She has over 8 years of experience in the information technology service industry. Prior to joining our Group, she served as a data analyst of Guangzhou Youshi Information System Company Limited* (廣州優識科技資訊股份有限公司) from July 2010 to December 2012. She later served as a data analyst of Beijing Yinfeng Xinrong Technology Development Company Limited* (北京銀豐新融科技開發有限公司) from December 2012 to August 2015.

Mr. Wang Jialin (王加麟), aged 35, is the strategy and management consultancy director of our Group and joined our Group in August 2018. He graduated with a bachelor's degree in Computer Science and Technology (Software Technology) from South China University of Technology (華南理工大學) in July 2010.

He has over 5 years of experience in management consultancy. Prior to joining our Group, he worked at the Beijing branch office of Ernst & Young (China) Advisory Limited (安永（中國）企業諮詢有限公司) from April 2013 to April 2015, with his last position serving as a senior advisor. From May 2015 to June 2018, he worked at Deloitte Consulting Shanghai Co. Ltd. (德勤管理諮詢（上海）有限公司), with his last position serving as a manager for the management consulting department in the Shenzhen branch office.

Ms. Yu Hongcui (余紅翠), aged 36, is the sales director of our Group and joined our Group in November 2014. She received a graduation certificate in Business Administration from Beijing University for Business Administration* (北京工商管理專修學院) in July 2006.

She has over 11 years of experience in the sales and marketing. She started her career as a sales manager assistant at Shenzhen Yulong Tongfang Technology Company Limited* (深圳市育龍同方科技有限公司) from July 2007 to September 2008. She also served as the sales manager of Shenzhen Guigu Mingtian Technology Development Company Limited* (深圳市矽谷明天科技發展有限公司) from September 2008 to September 2014.

Ms. Pan Honglian (潘紅蓮), aged 38, is the product director of our Group and joined our Group in November 2016. She graduated with a bachelor's degree in Computer Science and Technology from Beihang University (北京航空航天大學) in July 2001. She also obtained a master's degree in Technology of Computer Application from Beihang University (北京航空航天大學) in March 2004.

She has over 14 years of experience in the information technology service industry. From April 2004 to January 2008, she served as a quality assurance engineer of Beijing Yanhua Xingye Electronic Technology Company Limited* (北京研華興業電子科技有限公司). She later served as a senior data analyst of SAS Software Research and Development (Beijing) Company Limited* (賽仕軟件研究開發（北京）有限公司) from February 2008 to February 2014, and a senior systems engineer of SAS Beijing from February 2014 to November 2016.

Directors, Senior Management and Company Secretary

Ms. Shao Ping (邵平), aged 35, is the financial AI lab director of our Group and joined our Group in March 2016. She graduated with a bachelor's degree in Information and Computing Science from Guangdong University of Technology (廣東工業大學) in June 2006. She also obtained a master's degree in Probability and Statistics from Jinan University (暨南大學) in June 2008.

She has over 6 years of experience in the information technology service industry. Prior to joining our Group, she served as an office clerk at Shenzhen Dongfeng South Industrial Group Company Limited* (深圳市東風南方實業集團有限公司) from August 2008 to September 2012. She later served as a data analyst at Beijing Taoche Information Technology Company Limited* (北京淘車信息技術有限公司) from December 2012 to January 2014; a senior modelling analyst at the credit card centre of China Guangfa Bank Co., Ltd* (廣發銀行股份有限公司信用卡中心) from April 2014 to November 2014 and a data modeler architect at Guangdong Highsun Group Company Limited* (廣東海印集團股份有限公司) from November 2014 to June 2015.

COMPANY SECRETARY

Mr. Wong Tin Yu (黃天宇), aged 29, was appointed as the company secretary of our Company on 14 February 2019 and is responsible for the overall company secretarial matters of our Group. He obtained a Bachelor of Business Administration degree in Finance from Lingnan University in November 2012. He was admitted as an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom in June 2016.

Mr. Wong has over 7 years of experience in the corporate secretarial field. He joined Tricor Services Limited in July 2012 and is currently a manager of its corporate services division. Since then, he has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies.

Directors' Report

Directors' Report

The Board is pleased to present the Group's annual report and audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

We are a market player in the big data and AI industry in the PRC providing data solutions, sales of hardware and software and related services as an integrated service, as well as IT maintenance and support services, to corporate customers.

BUSINESS REVIEW

The Group's business review for the Reporting Period, using financial key performance indicators, and prospects are set out in the section headed "Management Discussion and Analysis" on pages 10 to 20 of this annual report.

An analysis of the Group's performance for the Reporting Period by business segments and geographical locations is contained in note 5 to the consolidated financial statements.

The above discussions form part of this Directors' Report.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 152 of the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with any relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmentally friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

The discussion on the Group's environmental policies and performance, the Group's key relationship with employees, customers, suppliers and other stakeholders, and the Group's compliance with the relevant laws and regulations that have significant impact on the Group, can be found in the Environmental, Social and Governance Report set out on page 56 to page 69 of this annual report. These discussions form part of this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. Factors set out below are the principal risks and uncertainties that the Group believes could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results.

Directors' Report

- If the Group fails to keep up with technological advancements of the PRC big data and AI solution industry, its business, financial condition and results of operations may be materially and adversely affected.

- The Group generally do not have long-term contracts with its customers which exposes it to the risk of uncertainty and potential volatility with respect to its revenue.

- If the Group fails to expand its solution and product offerings or develop and deliver solutions and products to meet increasingly complex customer demands and attract new customers, its financial condition and results of operations may be materially and adversely affected.

- The Group's operations and financial results would be adversely affected if the it is unable to secure new contracts from existing customers or secure contracts from new customers.

- Actual or alleged failure to comply with data privacy and protection laws and regulations could damage the Group's reputation, and any security and privacy breaches may hurt the business, operations and financial results of the Group.

- The Group's solutions and products may experience quality issues that could have a materially adverse effect on its reputation and customer relationships, which may in turn have a negative impact on its revenue and profitability.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries of the Company are set out in Note 36 to the consolidated financial statements of this annual report.

ASSOCIATES OF THE COMPANY

Details of the associates of the Company is set out in note 22 to the consolidated financial statements.

DIVIDEND

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

DIVIDEND POLICY

The Group adopted a dividend policy. However, the Group does not have a pre-determined dividend payout ratio. Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which the Directors may consider relevant. Subject to the Cayman Companies Law and the articles of associations of the Company (the "Articles of Association"), the Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by the Board. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) the Articles of Association, which require any final dividends to be approved by the shareholders of the Company (the "Shareholders") at a general meeting, and (ii) the Cayman Islands Companies Act Chapter 22 (Law no. 3 of 1961, as consolidated and amended) (the "Cayman Companies Laws"), which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, The Company shall be able to pay its debts as they fall due in the ordinary course of business. Under applicable PRC laws, each of the subsidiaries of the Group in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

SHARE CAPITAL AND SHARES ISSUED

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

DEBENTURES ISSUED

The Group has not issued any debenture during the Reporting Period.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on in the "Consolidated Statement of Changes in Equity" of this annual report and in note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves amounted to approximately RMB94,288,000 under the Cayman Companies Laws.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Period or subsisted at the end of the Report Period.

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Company and the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

The valuation of the property as at 31 August 2019 set out in the Prospectus was RMB18,000,000, and additional depreciation of RMB175,000 would be charged against the consolidated statement of comprehensive income had the property been stated at such valuation during the Reporting Period.

Directors' Report

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and borrowings of the Group as at 31 December 2019 are set out in note 29 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the Reporting Period amounting to HKD1,000,000.

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the Company's Articles of Association or under the laws of the Cayman Islands that would require the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date and up to the date of this annual report, none of the Directors had any interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Group.

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 the Listing Date to 31 December 2019.

DIRECTORS

The Directors during and up to the date of this annual report are:

Executive Directors:

Mr. Song Hongtao *(chairman)*
Mr. Wu Xiaohua
Mr. Lam Chun Hung Stanley
Ms. Wang Jing

Independent non-executive Directors:

Mr. Tu Xinchun
Ms. Zhang Yahan
Dr. Qiao Zhonghua

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirms that it has received an annual independence confirmation from each of the independent non-executive Directors of the Company in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that all independent non-executive Directors are considered to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed "Directors, Senior Management and Company Secretary" to this annual report.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision has been in force since the Listing Date to 31 December 2019. The Company has purchased appropriate liability insurance for its Directors and senior management members.

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the Listing Date and may terminate it by either party giving not less than three months' prior notice in writing to the other party.

The independent non-executive Directors have each entered into a letter of appointment with the Company for a period of one year commencing from 15 November 2019 and terminable by either party giving not less than three months' prior notice in writing to the other party.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company (the "Annual General Meeting") has a services contract/letter of appointment with the Company that is not determinable within one year with out payment of compensation (other than statutory compensation).

REMUNERATIONS AND PENSION COSTS/RETIREMENT BENEFITS OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remunerations and pension costs/retirement benefits of the Directors and the five highest paid individuals are set out in note 35 and note 8 to the financial statements.

None of the Directors has waived any emoluments during the Reporting Period. In addition, no emoluments were paid by the Group to the Directors as an inducement to join the Group, or as compensation for loss of office during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Directors' Report

CONTROLLING SHAREHOLDERS' CONTRACTS OF SIGNIFICANCE

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company (the "Controlling Shareholders") or any of its subsidiaries subsisted at the end of the Reporting Period or at any time during the Reporting Period.

POTENTIAL CONFLICT OF INTERESTS WITH CONTROLLING SHAREHOLDERS

In order to ensure the Board is capable of performing and managing the Group's business independently from the Controlling Shareholders (being Mr. Song Hongtao and Mindas Touch Global Limited), the Company has adopted corporate governance measures including but not limited to: the independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between the Group and the Controlling Shareholders, and provide impartial advice; and the Controlling Shareholders have undertaken to provide to the Company all information necessary including all relevant operational, market, financial and any other necessary information for the purpose of annual review by the independent non-executive Directors.

The independent non-executive Directors have conducted such review, and considered that there were no conflict of interests between the Controlling Shareholders and the Group during the Relevant Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed at the end of the Reporting Period or at any time during the Reporting Period.

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. Details of the remuneration of the Directors are set out in note 35 to the consolidated financial statements of this annual report.

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.

RETIREMENT BENEFITS

The Group has participated in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations. Details of the retirement benefits provided by the Group to employees are set out in notes 2.22 the consolidated financial statements of this annual report. Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period.

EQUITY INCENTIVE PLAN

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 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 this annual report and proxy form for the Annual General Meeting.

As at the date of this annual report, 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.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group did not enter into any connected transaction or continuing connected transaction which is required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the related party transactions undertaken by the Group are set out in note 34 to the consolidated financial statements. The Directors consider that those related party transactions did not constitute a connected transaction or a continuing connected transaction pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Number of Shares Interested	Approximate Percentage of Shareholding (%)	Long/Short Position
Mr. Song Hongtao[(1)]	Interest in controlled corporation	196,080,000	49.02	Long position
Mr. Wu Xiaohua[(2)]	Interest in controlled corporation	43,590,000	10.90	Long position
Mr. Lam Chun Hung Stanley	Beneficial owner	1,800,000	0.45	Long position
Mr. Wu Fu-Shea[(3)]	Beneficial owner	6,000,000	1.50	Long position

Notes:

1. These shares were held by Mindas Touch Global Limited, which was wholly owned by Mr. Song Hongtao. Accordingly, Mr. Song was deemed to be interested in these Shares pursuant to Part XV of the SFO.

2. These shares were held by Ideal Treasure Holdings Limited, which was wholly owned by Mr. Wu Xiaohua. Accordingly, Mr. Wu was deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

3. Mr. Wu Fu-Shea was appointed as the Company's chief executive officer with effect from 26 March 2020.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following corporations or persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Company's Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares Interested	Approximate Percentage of Shareholding (%)	Long/Short Position
Mindas Touch Global Limited[(1)]	Beneficial owner	196,080,000	49.02	Long position
Ms. Huang Liming[(2)]	Interest of spouse	196,080,000	49.02	Long position
Ideal Treasure Holdings Limited[(3)]	Beneficial owner	43,590,000	10.90	Long position
Ms. Chi Xianfang[(4)]	Interest of spouse	43,590,000	10.90	Long position
Thousand Thrive Investments Limited[(5)]	Beneficial owner	34,020,000	8.50	Long position
Ms. Liu Qin[(5)]	Interest of controlled corporation	34,020,000	8.50	Long position
Mr. Fan Yuehua[(6)]	Interest of spouse	34,020,000	8.50	Long position

Notes:

1. The above interest is also disclosed as the interest of Mr. Song Hongtao in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares And Debentures".

2. Ms. Huang Liming is the spouse of Mr. Song Hongtao. Ms. Huang Liming is therefore deemed to be interested in the 196,080,000 Shares in which Mr. Song Hongtao are interested pursuant to Part XV of the SFO.

3. The above interest is also disclosed as the interest of Mr. Wu Xiaohua in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares And Debentures".

4. Ms. Chi Xianfang is the spouse of Mr. Wu Xiaohua. Ms. Chi Xianfang is therefore deemed to be interested in the 43,590,000 Shares in which Mr. Wu Xiaohua are interested pursuant to Part XV of the SFO.

5. Thousand Thrive Investments Limited was owned as to approximately 37.04% by Ms. Liu Qin, 20.54% by Ms. Wang Jing (an executive director of the Company), 15.50% by Ms. Wei Huijuan, 12.01% by Mr. Chen Liang and 14.91% by Ms. Zhu Shuang, respectively. Accordingly, Ms. Liu Qin was deemed to be interested in these Shares held by Thousand Thrive Investments Limited pursuant to Part XV of the SFO.

6. Mr. Fan Yuehua is the spouse of Ms. Liu Qin. Mr. Fan Yuehua is therefore deemed to be interested in the 34,020,000 Shares in which Ms. Liu Qin are interested pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors or the chief executive whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares And Debentures" above, has an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the Reporting Period there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the holders of the securities of the Company by reason of their holding of the Company's securities.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the Reporting Period, the revenue generated from the Group's top five customers accounted for 49.0% of the Group's total revenues, while the revenue generated from the Group's largest customer accounted for 18.9% of the Group's total revenues.

Major Suppliers

For the Reporting Period, the total purchases from the Group's top five suppliers accounted for 56.3% of the total purchases, while the purchases from the Group's largest supplier accounted for 27.4% of the Group's total purchases.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the issued Shares of the Company) was interested in the top five customers or suppliers of the Group.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The Shares of the Company 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 HKD1.50 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 HKD114.5 million after the deduction of the estimated listing expenses (the "Net Proceeds").

As disclosed in 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 HKD1.80 to HKD1.50 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 HKD10.0 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 (HKD million)	Revised allocation based on the actual Net Proceeds (HKD million)	Net Proceeds to be utilised for the year ending 31 December 2020 (HKD million)	Net Proceeds to be utilised for the year ending 31 December 2021 (HKD 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

INTEREST OF COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited ("Essence Corporate Finance"), the Company's compliance advisor, neither Essence Corporate Finance nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2019.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the 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 Rule since the Listing Date and up to the date of this annual report.

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 annual report, 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 HKD30.0 million, which have been deposited in cash by the Group to a designated account opened with and maintained by Wonderland International Securities Limited. Please refer to the announcement published on 24 February 2020 for the details of the asset management agreement.

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

AUDIT COMMITTEE

The audit committee (composed of Mr. Tu Xinchun, Ms. Zhang Yahan and Dr. Qiao Zhonghua) has reviewed the consolidated financial statements of the Group during the Reporting Period. The audit committee has also discussed with senior management members and auditor matters relating to the accounting policies and practices adopted by the Company and internal controls. Based on discussions with management and auditor, the audit committee is satisfied that the consolidated financial statements of the Group have been prepared in accordance with applicable accounting standards and fairly present the financial position and performance of the Group during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 42 to 55 of this annual report.

AUDITOR

The consolidated financial statements of the Company for the Reporting Period have been audited by PricewaterhouseCoopers will retire at the conclusion of the Annual General Meeting and being eligible will offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to seek Shareholders' approval on the appointment of PricewaterhouseCoopers as the Auditor until the conclusion of the next annual general meeting of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the Reporting Period, the Group is not aware of any material non-compliance with any relevant legislation or regulations that materially affect the Group's business and operations.

By order of the Board
Song Hongtao
Chairman of the Board

Hong Kong, 26 March 2020

Corporate Governance Report

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the period from the Listing Date to 31 December 2019 (the "Relevant Period").

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

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 CG Code during the Relevant Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealing in the Company's securities.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Relevant Period.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Corporate Governance Report

Board Composition

The Board of the Company currently comprises the following Directors:

Executive Directors

Mr. Song Hongtao *(Chairman of the Board)*
Mr. Wu Xiaohua
Mr. Lam Chun Hung Stanley
Ms. Wang Jing

Independent Non-executive Directors

Mr. Tu Xinchun
Ms. Zhang Yahan
Dr. Qiao Zhonghua

The biographical information of the Directors are set out in the section headed "Directors, Senior Management and Company Secretary" in this annual report. None of the members of the Board is related to one another.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

No meeting of the Board was held during the Relevant Period, as the Company is listed on 13 December 2019.

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer are currently held by Mr. Song Hongtao and Mr. Wu Fu-Shea respectively. On 26 March 2020, Mr. Wu Fu-Shea has been appointed as the chief executive officer in succession to Mr. Wu Xiaohua. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

All Directors of the Company are appointed for a specific term. Each executive Director is engaged on a service contract for a term of 3 years, which may be terminated by either party by not less than 3 months' written notice and is subject to renewal upon expiry of the existing term. Each of the independent non-executive Directors of the Company is appointed for a term of 1 year and renewable automatically for a successive term of 1 year, unless terminated by either party giving to the other not less than 3 months' prior notice in writing.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the members of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors, where appropriate.

For the Relevant Period and up to the date of this annual report, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the Relevant Period and up to date of this annual report are summarized as follows:

Directors	Types of Training Note
Executive Directors	
Mr. Song Hongtao	A and B
Mr. Wu Xiaohua	A and B
Mr. Lam Chun Hung Stanley	B
Ms. Wang Jing	A and B
Independent Non-Executive Directors	
Mr. Tu Xinchun	B
Ms. Zhang Yahan	B
Dr. Qiao Zhonghua	B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tu Xinchun, Ms. Zhang Yahan and Dr. Qiao Zhonghua. Mr. Tu Xinchun is the chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

No meeting of the Audit Committee was held during the Relevant Period, as the Company was only listed on 13 December 2019.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Ms. Zhang Yahan, Mr. Tu Xinchun and Dr. Qiao Zhonghua. Ms. Zhang Yahan is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

No meeting of the Remuneration Committee was held during the Relevant Period, as the Company was only listed on 13 December 2019.

The annual remuneration of senior management of the Company (whose biographies are set out on pages 25 to 27 of this annual report, except Mr. Wu Fu-Shea who has been appointed as the chief executive officer on 26 March 2020) by band for the Reporting Period is set out below:

Band of remuneration (HKD)	**Number of individuals**
1–500,000	1
500,001–1,000,000	5
>1,000,000	1

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Song Hongtao, the Chairman of the Board and an executive Director, and Ms. Zhang Yahan and Dr. Qiao Zhonghua, independent non-executive Directors. Mr. Song Hongtao is the chairman of the Nomination Committee. Majority of the Nomination Committee members are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, before making recommendation to the Board.

No meeting of the Nomination Committee was held during the Relevant Period, as the Company was only listed on 13 December 2019.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and the ability to attract employees from the widest pool of available talents.

Pursuant to the Board Diversity Policy, the Nomination Committee will review the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to skills, professional experience, knowledge, age, gender, cultural and educational background, ethnicity and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth. The Nomination Committee will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The following table shows the diversity profile of the Board as at the end of Relevant Period:

Name of Directors	Gender	Age	Date of appointment as Directors
Executive Directors:			
Mr. Song Hongtao	Male	42	6 December 2018
Mr. Wu Xiaohua	Male	46	6 December 2018
Mr. Lam Chun Hung Stanley	Male	60	6 December 2018
Ms. Wang Jing	Female	42	6 December 2018
Independent non-executive Directors:			
Mr. Tu Xinchun	Male	42	15 November 2019
Ms. Zhang Yahan	Female	43	15 November 2019
Dr. Qiao Zhonghua	Male	42	15 November 2019

Under the Board Diversity Policy, the Company aims to maintain at least a 20% female representation in the Board and the composition of the Board satisfies the Board Diversity Policy goal. As the representation of women in senior roles throughout the PRC economy and the Company's industry continues to grow and the pool of qualified female candidates expands, the Company would expect to see the proportion of female directors on the Board would increase over time.

The Nomination Committee will review the Board Diversity Policy to ensure its effectiveness.

Corporate Governance Report

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character, integrity and reputation;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules;
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Board's succession planning and the Company's long term needs.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Relevant Period, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board shall review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective internal control and risk management systems to safeguard the Group's assets and Shareholders' interests, and reviewing the effectiveness of the Group's internal control and risk management systems to ensure that the existing internal control and risk management systems are adequate. Such systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

During the Reporting Period, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions adequate. The review was conducted through discussions with the Company's management, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects.

Corporate Governance Report

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and marketing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report in this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services for the Reporting Period is set out below:

Service Category	Fees
Audit Services	HKD1,500,000

COMPANY SECRETARY

Mr. Wong Tin Yu has been appointed as the Company's secretary. Mr. Wong is a corporate services manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Wang Jing, an executive Director, has been designated as the primary contact person at the Company which would work and communicate with Mr. Wong on the Company's corporate governance and secretarial and administrative matters.

For the Reporting Period, Mr. Wong Tin Yu undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The objects of the meeting must be stated in the written requisition.

Putting Forward Proposals at General Meetings

If a Shareholder wishes to put forward proposals at a Shareholders' meeting, the Shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed "Convening an Extraordinary General Meeting", may follow the same procedures by sending a written requisition to the Board or the Company Secretary. The Shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Board to make necessary arrangement.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholder may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 1301A, Microprofit Building Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC

Email: ir@datamargin.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

No general meeting was held during the Relevant Period, as the Company was only listed on 13 December 2019.

Since the Listing Date, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Environmental, Social and Governance Report

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance ("**ESG**") Report presents our efforts and achievement made in sustainability and social responsibility. The ESG Report details our Group's performance in carrying out the environmental and social policies and fulfilling the principle of sustainable development.

The Scope of the ESG Report

The core businesses of our Group are the provision of data solutions, sales of hardware and software and related services as an integrated service, as well as IT maintenance and support services, to corporate customers. Unless stated otherwise, the ESG Report covers our Group's major operating revenue activities under direct management control. The ESG key performance indicator ("**KPI**") data are gathered and are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. Our Group will continue to assess the major ESG aspects of different businesses to determine whether they need to be included in the ESG reporting.

Reporting Standard

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year ended 31 December 2019 ("**Reporting Period**", "**2019**").

Stakeholder Engagement

Understanding and taking actions towards stakeholders' concerns and expectations is essential towards our sustainability development. The engagement of stakeholders helps us recognise our sustainability performance therefore we have established appropriate communication channels so that comments and feedbacks from major stakeholders are effectively and timely addressed.

Environmental, Social and Governance Report

The following table summarises the main expectations and concerns of our key stakeholders and the corresponding management responses.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Tax payment in full and on time	• Regular Information reporting • Meetings with regulators • Examination and inspection
Shareholders	• Returns • Compliance operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Company website
Partners	• Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefits	• Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Performance of contracts • Operation with integrity	• Forums, talks, industrial events • Meetings with customers • Daily operation/communication
Environment	• Energy saving and emission reduction • Environmental protection	• ESG Reporting
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • Training and workshop • Employee activities
Community and the public	• Transparency	• Company website • Announcements • Interview with media • Social media platforms

Environmental, Social and Governance Report

Comments and suggestions from our stakeholders are welcome. You may provide comments on the ESG Report or towards our performance in respect of sustainable development via the following:

Address: 1301A, Microprofit Building, Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC

Email: sxdreport@datamargin.com

Fax: 0755–83301100

A. ENVIRONMENTAL

Aspect A1: Emissions

We do not operate in a highly-polluting industry, and our production processes primarily involve system integration and software development. However, we regard environmental protection as an important corporate responsibility, and have taken measures to facilitate the environmental-friendliness of our workplace by encouraging, among other things, an energy-saving culture within our Group. We support the waste hierarchy of "3Rs" – Reduce, Reuse and Recycle – which is aimed at waste control and minimisation. We have adopted the following measures to mitigate the emissions in our operations: (1) ensuring strict compliance with relevant laws and regulations in all commercial activities related to the emission of exhaust gases, greenhouse gases and waste management; (2) conveying the environmental management measures of energy conservation to all the staff of the Group in order to deepen their awareness of environmental protection; (3) continuously monitoring the progress of environmental management measures to ensure compliance at all times. During the Reporting Period, we have not identified any material non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste such as the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste（中華人民共和國固體廢物污染環境防治法）and the Environment Protection Law of the People's Republic of China （中華人民共和國環境保護法）.

Air Emissions – Due to our business nature, we consider the relevant air emissions generated by our daily operations are not significant except for the vehicles used for maintaining our daily operation, which commenced service in the Reporting Period. However, we still strive to mitigate the exhaust gas generated from our business operation as much as possible. As a way to reduce emission, we require all the users of our Company's vehicles to switch off the idling engine to avoid unnecessary emission.

During the Reporting Period, the quantitative information in relation to air emission of our Group is as follows:

Air Emission	For the year ended 31 December 2019
Nitrogen oxides (NOx)	2.2 kg
Sulphur oxides (SOx)	0.04 kg
Particulate matter (PM)	0.2 kg

Greenhouse Gas Emissions – Although we are not involved in energy-intensive businesses, normal office operation which is essential to maintain our professional services is still a source of greenhouse gas emission. As such, we exert ourselves to abide by the relevant laws and regulations and make our daily operation more environmentally-friendly. In addition to the use of vehicles, which is a type of direct emission of greenhouse gas, indirect emission from processes such as electricity and paper consumption and business air travel of employees are the main sources of greenhouse gas emission from our operation. We have adopted the following measures to mitigate greenhouse gas emissions: (1) posting up labels to remind the employees to switch off any idle electrical appliances and lighting; (2) implementing management control to monitor the use of vehicles; and (3) implementing management control to monitor business air travel of employees.

During the Reporting Period, the quantitative information in relation to greenhouse gases emission of our Group is as follows:

Greenhouse Gases Emission	For the year ended 31 December 2019
Direct Emission (Scope 1)	
– fuel consumption of our vehicles	7.9 tonnes
Indirect Emission (Scope 2)	
– Electricity	50.9 tonnes
Indirect Emission (Scope 3)	
– Paper	0.1 tonnes
– Business air travels	109.3 tonnes
Total emission of greenhouse gases	168.2 tonnes
Total emission of greenhouse gases per employee	0.4 tonnes

Sewage Discharge – Due to our business nature, we generated no water pollutants commonly discharged from manufacturing processes and therefore our business activities did not generate material discharges into water during the Reporting Period.

Waste Management – We adhere to the waste management principle and strives to properly manage and dispose wastes produced by our business activities. We maintain high standard in waste reduction, educates our employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. Waste are systematically collected and transported to designated disposal facilities. For surplus resources, e.g. end-of-life disposal products, we make every effort to ensure their responsible handling and disposal. Donation of surplus resources to charitable organisations is strongly supported.

Hazardous Waste – Due to our business nature, we did not generate significant amount of hazardous wastes during the Reporting Period.

Non-hazardous Waste – The non-hazardous wastes generated by our Group's operations mainly consist of daily office garbage produced by employees and solid waste derived from packaging material. We carry out waste classification with respect to the non-hazardous wastes. The non-hazardous wastes are collected by the cleaning company employed by the buildings where our offices are located. We carry out promotion and encourage our employees to carry out proper waste classification with respect to recyclable wastes (hardware equipment and other recyclable wastes), food wastes, hazardous wastes and other wastes.

During the Reporting Period, the non-hazardous wastes generated by our Group is as follows:

	For the year ended 31 December 2019
Total non-hazardous wastes	6,624 kg
Non-hazardous waste discarded per employee	16.6 kg

Aspect A2: Use of Resources

Given that our business involves no production element, the use of resources by us, such as energy, water and other raw materials, in its day-to-day operations is minimal. But we are aware of our electricity, water and fuel consumption in the office environment (and from the use of our Group's vehicles), so we will focus on ESG improvements in these areas. In our operations, we have adopted the following measures regarding the use of resources: (1) routine inspections; (2) green purchasing; (3) water management; and (4) other measures (maintenance of green plants, promotion of paperless office).

Energy Consumption – We have formulated policies and procedures relating to environmental management.

During the Reporting Period, the total energy consumption of our Group is as follows:

Energy Consumption	For the year ended 31 December 2019
Electricity consumption	80,732.3 kwh
Electricity consumption per employee	188.6 kwh
Fuel consumption	2,899 Liters
Fuel consumption per employee	6.8 Liters

Water Consumption – At present, the water consumption of the Group is limited to the use of drinking fountains and basic cleaning and sanitation in our offices. The filtered drinking fountains we installed in our offices do not consume electricity when not in use and are designed to save water. The use of water in the toilets in our offices is for basic cleaning and sanitation. We have advocated and encouraged our employees to save water.

During the Reporting Period, the total water consumption of our Group is as follows:

Water Consumption	For the year ended 31 December 2019
Water consumption	3,154 m^3
Water consumption per employee	7.4 m^3

During the Reporting Period, we had no issue in sourcing water that is fit for purpose.

Packaging Materials – As our Group has no industrial production or any factory facilities, we do not consume significant amounts of package materials for product packaging.

Aspect A3: The Environment and Natural Resources

Due to our business nature, our operations have little impact on the environment or natural resources apart from those mentioned in the previous section. While we do encourage our employees to practise the "3Rs" and to protect the natural environment, as this aspect has no material relevance to our business, we have opted not to report on it, and KPI A3.1 (concerning the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable.

B. SOCIAL

As a professional services company, talent and their capabilities are our greatest asset, and they are critical to the company's sustainability. We firmly believe that investing in our people and their development is inseparable from business development and continued success. Human resources is a solid foundation to support the development of the group. We firmly believe that each employee plays an important role in providing a good service experience for customers. We are committed to providing a healthy, fulfilling and happy working environment that encourages communication, innovation, continuous learning and employee engagement. In terms of human resources, we have adopted the following measures: (1) maintaining excellent employment standards, from staff selection to staff growth and quality work experience; (2) building a diversified career development channel and competitive salary system through the rank system; and (3) focusing on building a cultural environment suitable for the growth of knowledge workers and creating a good learning organizational atmosphere.

Our human resources policy is in strict compliance with the labor law promulgated by the government and other laws and regulations concerning compensation, insurance, employment, promotion and dismissal of employees.

Aspect B1: Employment

Human resources are the foundation to support the development of our Group. We believe that every employee plays a vital role in executing a good service experience for our customers. We dedicate in offering a pleasant working environment that encourages communication, innovation, continuous learning and fosters employee engagement.

During the Reporting Period, we were not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on our Group such as the Labour Law of the People's Republic of China(中華人民共和國勞動法), the Labour Contract Law of the People's Republic of China(中華人民共和國勞動合同法), the Provisions on the Prohibition of Using Child Labour(禁止使用童工規定)and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases(中華人民共和國職業病防治法).

Recruitment, Promotion and Dismissal – Employees' qualification, professional skills and experiences exert a significant influence on the quality of services. In order to meet the needs of the our business development for talents, in line with the principle of fairness and justice, and standardize and improve the recruitment mechanism to improve the efficiency and quality of recruitment, we adopt a robust and transparent recruitment process. We adhere to the principle of internal priority and give priority to our internal talents to provide them with development opportunities. In the case where our internal talent resources cannot meet our needs, we will carry out external recruitment. In order to motivate our staff to actively recommend excellent talents to join us, our staff will receive referral bonus based on the level of the recommended candidate after we successfully recruit the recommended candidate.

At the beginning of the year, we will sign a performance responsibility statement with our employees in order to set targets for our employees, facilitate their annual performance evaluation and set clear guidelines and regulations to improve the efficiency of our employees and departments. Supervisors discuss performance with employees through effective two-way communication in order to get promoted. The system provides reference standards for salary adjustment, bonus distribution and promotion. In addition, we have also implemented a rank system internally to help each employee to better understand his/her current position, provide each employee with a clearer promotion and development path and help each employee to better understand the ability requirements of each development path. Any termination of employment contract should be based on reasonable, lawful grounds and internal policies, such as the employee handbook of our Group. We strictly prohibit any kind of unfair or illegitimate dismissals. For (a) those who seriously violate our system, (b) those seriously breach their duty, (c) those who continue to be in labor relationship with other employers while being our employee and affecting their work performance at our Group after being reminded by us to cease such labor relationship, (d) those who provide false information, (e) those who are held criminally liable and (f) those who directly and intentionally cause us to lose business opportunities or use our resources to benefit themselves or others, we will consider terminating their employment in accordance with relevant laws and our employee handbook. For those who continue to have unsatisfactory job performance after training or job position adjustment, we will consider terminating their employment in accordance with relevant laws.

Remuneration and Benefits – Employees are a key resource for our continued growth and success, and we offer a competitive compensation package that includes compensation and benefits to ensure we attract and retain the best talent. Firstly, we have a value-based and performance-based compensation system. Secondly, we formulate different salary strategies for different job positions every year according to the external market salary survey. Finally, we regularly review the salary level every year to attract outstanding talents to join us and improve the salary competitiveness for our internal outstanding personnels through promotion and salary adjustment. We also provide comprehensive welfare plan for our employees, including social insurance, supplementary medical insurance, housing fund, annual physical examination and other welfare.

Diversity and Equal Opportunity – Our diversity is shaped by the skills, experiences, perspectives, styles and characteristics of our employees (including but not limited to gender, age, marital or family status, race, cultural background, disability and religious beliefs). We recognize that these differences should be respected and will contribute to innovation, change and long-term growth of our business. We also recognize that advocating diversity creates value and more benefits for our customers and shareholders, such as higher efficiency, talent retention rate, broader skill mix and more abundant talent mix. For all these reasons, we are committed to providing an inclusive, equal and fair workplace that values, respects and promotes diversity in our Group.

We have adopted the following measures to avoid forced labor: (1) our Group adopts the principle of fairness and voluntarily and does not charge any referral fee or other fees from the applicants in the recruitment process; (2) the successful applicants shall negotiate and sign the labor contract with us; (3) our employees can ask for leave with the support of doctor certificate if they are sick; and (4) our employees can freely allocate their off hours.

We have also adopted the following measures to avoid discrimination: (1) we do not discriminate nor interfere our employees on the basis of race, gender, nationality, disability and gender orientation; (2) we do not discriminate our employees in terms of employment, compensation and promotion on the basis of race, race, gender, age, religion, belief or disability; and (3) we adhere to the principle of equal pay for men and women. Women who meet the employment requirements for their work shall enjoy equal employment opportunities as men.

Working Hours and Rest Periods – We have organized monthly afternoon tea and gift exchange activities internally to help our employees relax during the working hours. In addition, we have adopted vacation and rest policies with terms better than the requirements under the national policies, especially in terms of annual leave and full paid sick leave. When formulating the vacation and rest policies, we have taken into consideration the importance of our employees' physical and mental health and our objectives to actively attract talents to join us and to retain our employees. Our policies with respect to working hours and rest periods and the remuneration in relation to working hours and rest periods are in full compliance with the relevant employment laws.

Aspect B2: Health and Safety

We place great importance to the health and safety of our employees. We provide our employees with a safe and healthy working environment and formulate various safety management measures, such as potential accident investigation and management system. In addition, we have implemented other discretionary policies, including: (1) providing good working conditions, such as reasonable working space; (2) promoting flexible working hours; (3) providing a clean, tidy and hygienic workplace; (4) equipped our offices with first-aid medicine kits which are to be replenished regularly; (5) providing fitness equipment in the designated areas in our offices and providing half an hour of music enjoyment section in our offices three times a week; and (6) carrying out indoor or outdoor activities regularly and organising various associations, etc.

Aspect B3: Development and Training

We regard our staff as the most important asset and resource as they help to sustain our core values and culture. The training and development of personnel is of utmost importance to the management of our Group. As our business continues to grow, it is crucial that we build a sustainable workforce and continue to develop a team of employees who keep up with emerging technologies and deliver solutions that meet the fast-changing requirements of our customers. We have adopted the following measures in relation to development and training: (1) developing our annual training plan; (2) establishing our internal learning platform; (3) focusing on internal knowledge sharing and organising internal knowledge sharing regularly and from time to time, which involves all aspects of our business operation, such as project completion sharing and business product introduction, etc.; (4) organising special training plan for our core and key talents separately; (5) providing induction training for our new employees to introduce our corporate culture to them and help them adapt to our corporate environment by sharing with them videos which show our service standards and procedures; and (6) when internal training cannot fully meet the personal development needs of employees, sending our employees abroad to study and improve.

Aspect B4: Labour Standards

Our Group strictly prohibits the employment of minors or engagement of child labour activities as defined by laws and regulations. As a mean to avoid employing child labour, all newly employed staff is required to provide identification documents for age verification purpose. We have adopted the following measures in relation to labour standards: (1) incorporation of guidelines concerning forced and child labour in employment practices, which expressly requires that no employee under the age of 18 should be employed; (2) consistent verification of compliance with the latest legal development; and (3) whistleblower protection to record any illegal activities. Our Group strictly complies with laws and conducts recruitment according to relevant laws and regulations. We prohibit any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against the employees for any reason.

Our Group has an active whistleblower policy and encourages individuals to come forward in complete privacy and without penalty to report potential incidents of abuse or illegality. We are committed to upholding our business ethics and corporate governance standards, effectively preventing our operation and management risk, timely monitoring and reporting any internal violations by our employees and ensuring that we operate in accordance with the laws and regulations.

Aspect B5: Supply Chain Management

Our Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. We are aware of the environmental and social practices of our suppliers, We have adopted the following measures in relation to supply chain management: (1) prohibiting commercial bribery to create a fair, just and non-corrupt cooperation atmosphere; (2) establishing a reporting channel to allow our suppliers to communicate complaints, feedback, suggestion and supervision; and (3) ensuring confidentiality and requiring our suppliers to sign the agreement with us and agree to the confidentiality clause therein such that both parties agree not to disclose any information in relation to the cooperation to third parties in order to protect our business secrets. We negotiate with our suppliers on a mutual, genuine and full basis and cooperate with them for mutual benefits.

In order to ensure that our suppliers meets the quality, environmental and safety standards of our customers, we select suppliers based on the following criteria: qualification, technical capability, business capability and product and service quality. After comprehensive evaluation and selection, we have a list of qualified suppliers to supply products and/or human services to our Group. In addition, our Group also evaluates the qualifications and service levels and standards of our suppliers comprehensively before making a decision on whether to cooperate with them or not and the extent of cooperation based on the results of our evaluation. For those suppliers who fail to meet our requirements, we will cease cooperation with them. We will make a decision on whether to cooperate with them again by re-evaluating whether they meet our requirements after they have carried out rectification measures.

We have established systems to ensure fair and sustainable development of procurement activities and ensure equal competition among suppliers. Our group strictly monitors all procurement activities, opens channels for complaints and reports, cracks down on various forms of commercial bribery, prevents conflicts of interest, and prevents any stakeholders from participating in procurement activities.

Aspect B6: Product Responsibility

As an enterprise-level big data and artificial intelligence technology and service provider in the PRC, achieving and maintaining high product and service quality is crucial to our sustainable development. In terms of product liability, we have adopted the following measures: (1) establishing and implementing a formal quality management system in all aspects of project implementation; (2) introducing after-sales service policies on our products and services, mainly focusing on technical advice and vulnerability repair requests; (3) placing an emphasis on the importance of the management of product intellectual property rights; (4) establishing a sound process for dealing with and handling customer complaints. While focusing on the challenges and pressures faced by our customers, we provide high quality artificial intelligence solutions and services to meet the business needs of our customers. Meanwhile, we also comply with the internationally recognized quality standards and have successfully renewed the ISO9000 and CMMI3 quality management system certifications this year. We always enter into contracts with our customers with contract terms concerning project quality and carry out periodic test and inspection according to such project quality terms to ensure that the corresponding products and services meet the standards and requirements of our customers. During the Reporting Period, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on our Group, concerning product health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Product Health and Safety — Although we are not involved in the manufacturing of hardware, we strictly follow the Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）when selecting and purchasing products. We always set up contract terms regarding product quality with suppliers to ensure that the corresponding products have passed necessary testing and attained certain industrial standards.

Advertising and Labelling — Due to our business nature, our Group has limited issue on advertising and labelling. In our dealings with clients, providing complete, true, accurate, clear information and complying with all relevant laws and regulations regarding the proper advertising are utmost important for our Group.

Privacy Protection — We have implemented measures to comply with relevant laws and regulations on data protection and privacy of our business operations. When signing the employment contract with us, our employees shall also sign the employee confidentiality agreement and the professional ethics and confidentiality undertaking. No employee is allowed to disclose technical secrets, business secrets, etc. Employees are generally required to carry out product development or provide technical services at our customers' locations. If necessary, prior to the commencement of the project, our employees are required to sign non-disclosure agreements or confidentiality undertakings as required by our customers. Generally, we use the computer equipment, intranet and computer room of our customers when we access the data of our customers. We do not collect or store any confidential information regarding our customers.

Furthermore, we have established the ISO27001 information security management system and set up the information security management committee in order to ensure the security of our trade secrets, customer information and other confidential information relating to our business. The information security management team is responsible for coordinating any information security-related events, identifying security trends, and planning and monitoring information security. The information security response team is also responsible for investigating and dealing with information security incidents, including but not limited to system failures, information leaks, unauthorized access, hackers, viruses and other incidents that threaten daily operations. They are also responsible for conducting regular internal audits to ensure that information security is in good working order, and to monitor and correct issues identified. We have developed information security management procedures, the scope of influence of which will be divided into four levels based on the nature and severity of the information security incidents, and the information security incidents are investigated and dealt with accordingly. It is the responsibility of our employees to report suspicious security incidents to their supervisor in accordance with our information security management procedures. Any employee who violate our information security management procedures will be published depending on our potential loss and impact on operations, with our measures including verbal warnings, written warnings, administrative penalties and legal action.

Aspect B7: Anti-corruption

Our Group strives to achieve high standards of ethics in our business operations and does not tolerate any corruptions, frauds and all other behaviours violating work ethics. Unethical or illegal events such as corruption, bribery, and collusion are strictly prohibited. We have adopted the following measures in relation to anti-corruption: (1) implementation of the anti-corruption and bribery requirements in our staff handbook; and (2) reporting procedures and whistleblower protection. We are committed to conducting our business with honesty and integrity and in compliance with the relevant laws and regulations. This includes compliance with all laws, domestic and foreign, prohibiting improper payments or inducements to any person, including public officials. We stipulate the disciplinary code and code of conduct in our employee handbook, and encourage employees to report any suspected misconduct. It is our policy to conduct all business in an honest and ethical manner. We take a zero-tolerance approach to corruption and bribery and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

We have adopted a whistleblower policy to strongly encourage individuals to come forward in complete privacy and without penalty for all levels and operations. Staff can raise concerns, confidence, about possible improprieties such as misconduct and malpractice in any matter related to our Group. Reports made by employees will be handled fairly, consistently and expeditiously. All reports will be handled with appropriate confidentiality. The results of the investigation will be notified to the relevant employees in accordance with appropriate channels. Such policy also aims at protecting whistleblowers from unfair dismissal, victimisation and unwarranted disciplinary actions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under the anti-corruption and anti-bribery policies of our Group, even if they turn out to be mistaken. Where there exists new laws and regulations that may impact our business, all employees will be provided updates with training to ensure compliance. During the Reporting Period, we were not aware of any breach of laws and regulations in relation to bribery, extortion, fraud and money laundering that had a significant impact on our Group, such as the Regulations of the People's Republic of China for Suppression of Corruption（中華人民共和國懲治貪污條例）.

Aspect B8: Community Investment

Our Group is committed to making a positive impact on our internal and external stakeholders, as well as the communities we interact with through active social or philanthropic investments. As part of our Group's strategic development, we are committed to supporting the public means of social participation and contribution, and to nurture the corporate culture and practices of corporate citizen in our daily operation. We have adopted the following measures in relation to community investment: (1) definition of the nature and extent of involvement in the communities where the corporation has operations, or is related to; and (2) periodic assessment of success, regarding philanthropic initiatives. We encourage employees to care for and spend time on the local communities through participating in all kinds of social activities such as attending local community activities and charitable donations. Employees are also encouraged to participate in environmental protection activities and promote environmental awareness within our Group. During the Reporting Period, we donated HKD1,000,000 to the Community Chest of Hong Kong. During the Reporting Period, we also sponsored and participated in a charity campaign called "Yi Lu Tong Xing (益路童行)" which was organized by YeMa Media (野馬新傳（北京）科技有限公司). Through this campaign, we donated school supplies and daily necessities, improved the conditions of local schools in rural areas and created a better learning environment for the students.

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of Suoxinda Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Suoxinda Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 151, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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BASIS FOR OPINION (CONTINUED)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment of trade receivables and contract assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables and contract assets Refer to notes 2.10, 3.1, 4, 19 and 20 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2019, the Group had gross trade receivables and gross contract assets of approximately RMB54.0 million and RMB51.1 million, respectively, and provisions for impairment of trade receivables and contract assets of approximately RMB2.8 million and RMB3.5 million, respectively.	Our procedures in relation to management's impairment assessment of trade receivables and contract assets included: — Understood, evaluated and tested, on a sample basis, management's key controls in assessing the impairment of trade receivables and contract assets (including the methodology used and estimates used); — Evaluated the appropriateness of management's basis in grouping customers with similar credit risk characteristics for assessment based on information about the Group's on-going business relationships with these customers, public information of these customers and the Group's correspondences with the relevant customers;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group applied the simplified approach under IFRS 9 to assess lifetime expected credit loss allowance for trade receivables and contract assets (the "ECL assessment"). For the ECL assessment, management grouped trade receivables and contract assets with similar credit risk characteristics and estimated the expected credit losses allowance by considering the credit profile of different customers, the aging profiles of overdue balances, the Group's knowledge about the customers and their past settlement records, subsequent settlement status and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the significant judgements applied by management in assessing the impairment of trade receivables and contract assets.	— Checked the ageing reports of the trade receivables and contract assets as at 31 December 2019, on a sample basis, to underlying accounting records and supporting documents; — Evaluated management's assessment of the historical credit loss rates by checking inputs in respect of the assumptions made, such as past settlement records of the borrowers by tracing to the underlying bank statements or pay-in slips, on a sample basis, and the respective ageing profile of these balances as at the year end; — Evaluated the relevant forward-looking information used in the ECL assessment with reference to external market information; and — Checked the computation of the amounts of provisions for the expected credit loss allowances for trade receivables and contract assets. Based on the above, we found the management judgement used in the impairment assessment of trade receivables and contract assets to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Shiu Hay Antonio.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000
Revenue	5	**257,915**	185,549
Cost of sales	7	**(166,321)**	(122,472)
Gross profit		**91,594**	63,077
Selling expenses	7	**(12,738)**	(8,739)
Administrative expenses	7	**(54,024)**	(19,218)
Research and development expenses	7	**(17,500)**	(10,757)
Other income	6	**6,040**	3,526
Other gains, net	6	**1,165**	2,182
Operating profit		**14,537**	30,071
Finance income	9	**234**	662
Finance costs	9	**(4,296)**	(3,561)
Finance costs, net	9	**(4,062)**	(2,899)
Share of profit of an associate	22	**40**	—
Profit before income tax		**10,515**	27,172
Income tax expenses	10	**(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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 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)	11	**1.4**	7.7

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**17,178**	17,663
Intangible assets	14	**19,536**	20,774
Right-of-use assets	15	**5,651**	5,521
Investment in an associate	22	**440**	—
Prepayments	21	**40,884**	20,000
Deferred tax asset	28	**226**	—
		83,915	63,958
Current assets			
Trade receivables	19	**51,240**	15,040
Contract assets	20	**47,624**	44,110
Prepayments	21	**1,983**	3,108
Other financial assets at amortised cost	21	**3,956**	3,341
Inventories	18	**3**	283
Pledged bank deposits	23	**6,503**	8,312
Cash and cash equivalents	23	**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	24	**3,578**	—
Other reserves	25	**191,719**	62,848
Retained earnings		**14,263**	13,016
Total equity		**209,560**	75,864
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	**—**	51
Lease liabilities	30	**3,605**	4,266
Other borrowings	29	**6,438**	—
		10,043	4,317

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade payables	26	**41,523**	11,855
Accruals and other payables	27	**29,591**	17,399
Contract liabilities	20	**12,789**	3,901
Current income tax liabilities		**7,967**	6,538
Lease liabilities	30	**1,791**	1,474
Bank and other borrowings	29	**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

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 76 to 151 were approved and authorised for issue by the Board of Directors on 26 March 2020 and are signed on its behalf by:

Song Hongtao
Director

Wang Jing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 24)	Capital reserve RMB'000 (Note 25)	Exchange reserve RMB'000	Statutory reserve RMB'000 (Note 25)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	—	46,533	(81)	3,377	28,036	77,865	169	78,034
Comprehensive income/ (loss)								
Profit/(loss) for the year	—	—	—	—	23,156	23,156	(513)	22,643
Other comprehensive income								
Currency translation differences	—	—	275	—	—	275	—	275
Total comprehensive income/(loss) for the year	—	—	275	—	23,156	23,431	(513)	22,918
Transactions with owners in their capacity as owners								
Capital contribution to subsidiaries by equity holders of subsidiaries	—	10,087	—	—	—	10,087	—	10,087
Transfer to statutory reserve (Note 25(iii))	—	—	—	2,657	(2,657)	—	—	—
Dividends paid (Note 12)	—	—	—	—	(35,075)	(35,075)	—	(35,075)
Transactions with non-controlling shareholders (Note 33)	—	—	—	—	(444)	(444)	344	(100)
	—	10,087	—	2,657	(38,176)	(25,432)	344	(25,088)
Balance at 31 December 2018	—	56,620	194	6,034	13,016	75,864	—	75,864

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 25)	Capital reserve RMB'000 (Note 25)	Exchange reserve RMB'000 (Note 25)	Statutory reserve RMB'000 (Note 25)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	–	–	56,620	194	6,034	13,016	75,864
Comprehensive income							
Profit for the year	–	–	–	–	–	4,124	4,124
Other comprehensive loss							
Currency translation differences	–	–	–	(245)	–	–	(245)
Total comprehensive (loss)/income for the year	–	–	–	(245)	–	4,124	3,879
Transactions with owners in their capacity as owners							
Capitalisation issue of shares (Note 24(iii))	2,683	(2,683)	–	–	–	–	–
Issue of shares pursuant to the Share Offer, net (Note 24(iv))	895	133,724	–	–	–	–	134,619
Capital contribution to subsidiary by an equity holder of subsidiary (Note 25(ii))	–	–	4,167	–	–	–	4,167
Share-based compensation — non employee (Note 25(ii))	–	–	2,432	–	–	–	2,432
Transfer to statutory reserve (Note 25(iii))	–	–	–	–	2,877	(2,877)	–
Listing expenses charged to share premium (Note 24(iv))	–	(11,401)	–	–	–	–	(11,401)
	3,578	119,640	6,599	–	2,877	(2,877)	129,817
Balance at 31 December 2019	3,578	119,640	63,219	(51)	8,911	14,263	209,560

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**32,688**	17,261
Income tax paid		**(5,239)**	(1,686)
Net cash generated from operating activities		**27,449**	15,575
Cash flows from investing activities			
Purchase of intangible assets		**(3,601)**	(12,614)
Investment in an associate	22	**(400)**	—
Payment for property and equipment	21	**(22,165)**	(22,906)
Purchase of short-term investments measured at fair value through profit or loss	17	**(1,000)**	(51,100)
Proceeds from disposal of short-term investments at fair value through profit or loss		**3,164**	71,151
Proceeds from disposal of property and equipment		**2**	—
Interests received	9	**234**	662
Net cash used in investing activities		**(23,766)**	(14,807)
Cash flows from financing activities			
Proceeds from the issue of shares by Share Offer	24(iv)	**134,619**	—
Dividends paid	12	**—**	(35,075)
Interests paid		**(4,005)**	(3,257)
Decrease/(increase) in pledged bank deposits and other deposits	29	**1,809**	(5,324)
Acquisition of non-controlling shareholders	33	**—**	(100)
Capital contribution to a subsidiary by equity holders of a subsidiary		**4,254**	10,000
Payment of listing expenses		**(9,621)**	(1,192)
Repayment of lease liabilities	31	**(2,498)**	(2,209)
Proceeds from other borrowings	31	**18,200**	—
Repayment of other borrowings	31	**(2,740)**	—
Proceeds from bank borrowings	31	**75,168**	73,799
Repayment of bank borrowings	31	**(84,848)**	(34,279)
Net cash generated from financing activities		**130,338**	2,363
Net increase in cash and cash equivalents		**134,021**	3,131
Cash and cash equivalents at beginning of the year		**44,266**	40,935
Effect of currency translation differences		**165**	200
Cash and cash equivalents at end of the year		**178,452**	44,266

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 statements are 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 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, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statements of changes in equity and statements of financial position, respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes with ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable standards.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combination

The Group applies the acquisition method to account for business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprised the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the directors of the Company who make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in RMB, which is the Company's functional currency and the Company's and the Group's presentation currency.

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "other gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- capital balances for each consolidated statement of financial position presented are translated at the historical rate at the transaction date;
- all other assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the period-end date;
- income and expenses for each consolidated statement of comprehensive income are translated at average rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and included within the exchange reserve.

On the disposal of the Group's entities, or a disposal involving loss of control over a subsidiary, all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the Company's equity holders are reclassified to the profit or loss.

2.7 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged in profit or loss during the years in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment (Continued)

Depreciation of property and equipment are calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Building	20 years
Furniture, fittings and equipment	3 to 5 years
Motor vehicles	4 to 5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets and are recognised within "other gains, net" in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Computer software

Computer software is stated at cost less accumulated amortisation and impairment. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of one to five years using the straight-line method.

(b) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(c) Research and development expenditures

Costs associated with research and development are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the years ended 31 December 2018 and 2019.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is managed. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. See Note 16 for details of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains, net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "other gains, net".

- Fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.2 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.3 Impairment

The Group has five types of assets subject to IFRS 9's expected credit loss model:

- Trade receivables;
- Contract assets;
- Other financial assets at amortised cost;
- Pledged bank deposits; and
- Cash and cash equivalents

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.3 Impairment (Continued)

For other financial assets at amortised cost, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

For cash and cash equivalents and pledged bank deposits, it is also subject to the impairment requirements under IFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in The People's Republic of China ("PRC") and reputable international financial institutions outside of the PRC (Note 3.1(b)).

2.10.4 Derecognition

Financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.4 Derecognition (Continued)

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.10.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customers. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligation. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Contract assets and contract liabilities (Continued)

Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 2.10.3 and are reclassified to receivables when the right to the consideration has become unconditional.

2.13 Trade receivables and other financial assets at amortised cost

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and other financial assets at amortised cost is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.10 for a description of the Group's impairment policy for trade and other financial assets at amortised cost.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks.

2.15 Pledged bank deposits

Pledged deposits represented fixed deposits pledged to the bank for bank borrowings.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and when there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are only recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Employee social security and benefits obligations

The Group companies in the Mainland China participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the Mainland China. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the service.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- Direct measurements of the value transferred by the Group to the customer; or

- The Group's efforts or inputs to the satisfaction of the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a practical expedient, the Group does not adjust any of the transaction prices for the time value of money.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal who obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Data solutions

Data solutions refer to data-driven operation services, including software development, data analysis, system integration and customisation, integration, storage, cleaning and processing of data and consulting services etc. Services are provided to the customers under separate contracts.

Revenue from data solutions is recognised when the Group has provided the promised service. The customer simultaneously receives and consumes the benefits provided by the Group over the period. The performance obligation is satisfied over time which is usually within one year with reference to the Group's inputs to the satisfaction of the performance obligation of the projects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

(b) Sales of hardware and software and related services as an integrated service

The Group provides multiple deliverables to customers, including on-site investigation, assessment of system specification and requirement, sales of hardware and software (including self-developed products), installation of equipment and software. It is accounted for as a single performance obligation since the Group provides an integrated service.

Revenue rendering from the sales of hardware and software and related services are recognised at a point when the sales and the related services are completed without further unfulfilled obligation.

(c) IT maintenance and support services

The provision of the IT maintenance and support services mainly includes the information technology integration services to the customer. Revenue from IT maintenance and support services is recognised in the accounting period when the Group provides the service and all of the benefits are received and consumed simultaneously by the customer throughout the contract period. Thus, the Group satisfies a performance obligation and recognises revenue over time with reference to the actual service period passed relative to the total contract period and the Group has present right to payment.

2.24 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of equipment lease.

2.27 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's or operating Companies' shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HKD and the USD. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective entity's functional currency.

At 31 December 2019, if HKD had strengthened/weakened by 5% against RMB, with all other variables held constant, post-tax profit for the year would have been approximately RMB5,729,000 higher/lower (2018: RMB58,000 lower/higher).

At 31 December 2019, if USD had strengthened/weakened by 5% against RMB, with all other variables held constant, post-tax profit for the year would have been approximately RMB841,000 (2018: RMB221,000) higher/lower.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its bank and other borrowings, lease liabilities, cash and cash equivalents, pledged bank deposits and bank wealth management products. Except for some bank and other borrowings and lease liabilities which are entitled to fixed interest rates and expose the Group to the fair value interest rate risk, other bank borrowings, cash and cash equivalents and pledged bank deposits are carried at variable rates.

As at 31 December 2019, if the market interest rates had been 50 basis points higher or lower with all other variables held constant, post-tax profit for the year would have been approximately RMB739,000 higher/lower (2018: RMB146,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The credit risk of the Group mainly arises from cash at bank, pledged bank deposits, bank wealth management products, trade receivables and other financial assets at amortised cost. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash at bank, pledged bank deposits and bank wealth management products, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit quality of the customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables and due from them, the directors believe that the credit risk inherent in the Group's outstanding trade receivable balances due from them is not significant.

For other financial assets at amortised cost, the Group has taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortised cost, as well as the loss upon default in each case. The directors considered that the lifetime expected credit losses allowance is insignificant.

The Group has significant concentration of credit risk in a few customers. As at 31 December 2019, the outstanding balances from the five largest customers, which have been included in trade receivables and contract assets, amounted to RMB70,697,000 (2018: RMB34,861,000) in aggregate, which represents approximately 72% (2018: 59%) of the total trade receivables and contract assets. In view of their credit standings, good payment record in the past and long term relationships with the Group and taking into consideration of forward-looking information, the directors of the Company consider that the Group's credit risk is not high.

Other than the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2018				
Trade payables	11,855	–	–	11,855
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	7,633	–	–	7,633
Lease liabilities and interest payments	1,779	1,346	3,400	6,525
Bank borrowings and interest payments	62,158	–	–	62,158
	83,425	1,346	3,400	88,171
As at 31 December 2019				
Trade payables	**41,523**	**–**	**–**	**41,523**
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**11,626**	**–**	**–**	**11,626**
Lease liabilities and interest payments	**2,079**	**2,567**	**1,214**	**5,860**
Bank borrowings and other borrowings and interest payments	**61,544**	**6,627**	**–**	**68,171**
	116,772	**9,194**	**1,214**	**127,180**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings and lease liabilities less cash and cash equivalents and pledged bank deposits. Total capital is calculated as "equity", as shown in the consolidated statement of financial position.

The debt-to-equity ratios were as follows:

	2019 **RMB'000**	2018 RMB'000
Bank and other borrowings (Note 29)	**66,850**	61,070
Lease liabilities (Note 30)	**5,396**	5,740
Less: Cash and cash equivalents (Note 23)	**(178,452)**	(44,266)
Pledged bank deposits (Note 23)	**(6,503)**	(8,312)
Net (cash)/debt	**(112,709)**	14,232
Total equity	**209,560**	75,864
Debt-to-equity ratio	**N/A**	0.19

The net cash position in at 31 December 2019 resulted primarily from increased cash and cash equivalents.

3.3 Fair value estimation

The carrying values of cash and cash equivalents, pledged bank deposits, trade receivables, other financial assets at amortised cost, trade payables, accruals and other payables, lease liabilities and bank and other borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for impairment of trade receivables, contract assets and other financial assets at amortised cost

The Group follows the guidance of IFRS 9 to determine when trade receivables, contract assets and other financial assets at amortised cost are impaired. This determination requires significant judgement and estimation. In making this judgement and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macro-economic indicators, etc.

(b) Current and deferred income taxes

The Company is subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(c) Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation expense for its property and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property and equipment, intangible assets and right-of-use assets of similar nature and functions. Management will increase the depreciation expenses where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Period review could result in a change in depreciable lives and therefore depreciation expense in future periods.

5 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 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	
	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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 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.

6 OTHER INCOME AND OTHER GAINS, NET

An analysis of other income and other gains, net is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income:		
Government grants (Note i)	**6,040**	3,526
Other gains, net:		
Fair value gains on short-term investments and equity investments (Note 17)	**2**	2,213
Loss on disposal of property and equipment (Note 31)	**(4)**	(24)
Gain on disposal of computer software	**1,031**	—
Gain on early termination of lease	**234**	—
Others	**(98)**	(7)
	1,165	2,182

Note:

(i) Government grants are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises engaging in research and development activities and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy.

7 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) (Note 8)	**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 (Note 14)	**5,330**	2,869
Operating lease rental payments	**3,138**	535
Depreciation of right-of-use assets (Note 15)	**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 (Note 13)	**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 19)	**2,173**	142
Provision for impairment of contract assets (Note 20)	**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 fair value of the equity interests issued as of the issuance date was above 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.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, bonuses, fees and allowances	**63,376**	40,860
Pension costs (Note i)	**1,985**	757
Social security costs and other employee benefits	**7,722**	4,588
	73,083	46,205

Note:

(i) As stipulated by the rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees during the years ended 31 December 2018 and 2019. The employees contribute approximately 8% of their basic salaries, while the subsidiaries contribute approximately 13–14% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the year ended 31 December 2019 (2018: Nil). Emoluments of the director are reflected in the analysis presented in Note 35. The emoluments payable to the remaining four highest paid individuals for the year ended 31 December 2019 (2018: five) are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, bonuses, fees and allowances	**3,418**	2,672
Pension costs	**63**	34
Social security costs and other employee benefits	**212**	207
	3,693	2,913

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	2019	2018
Emolument bands		
Nil to HKD500,000	**—**	—
HKD500,001 to HKD1,000,000	**3**	5
HKD1,000,001 to HKD1,500,000	**1**	—

9 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)

10 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 (Note 28)	**(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 Enterprise Income Tax rate of 15% for the year ended 31 December 2019 (2018: 15%).

10 INCOME TAX EXPENSES (CONTINUED)

(ii) PRC enterprise income tax (Continued)

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.

11 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 share (RMB cents)	**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).

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 PROPERTY AND EQUIPMENT

	Building RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018				
Cost	15,257	2,503	895	18,655
Accumulated depreciation	(1,510)	(830)	(637)	(2,977)
Net book amount	13,747	1,673	258	15,678
Year ended 31 December 2018				
Opening net book amount	13,747	1,673	258	15,678
Additions	—	3,220	—	3,220
Disposals	—	(24)	—	(24)
Depreciation	(725)	(421)	(65)	(1,211)
Closing net book amount	13,022	4,448	193	17,663
At 31 December 2018				
Cost	15,257	5,255	895	21,407
Accumulated depreciation	(2,235)	(807)	(702)	(3,744)
Net book amount	13,022	4,448	193	17,663
Year ended 31 December 2019				
Opening net book amount	**13,022**	**4,448**	**193**	**17,663**
Additions	**—**	**1,382**	**—**	**1,382**
Disposals	**—**	**(6)**	**—**	**(6)**
Depreciation	**(723)**	**(1,071)**	**(67)**	**(1,861)**
Closing net book amount	**12,299**	**4,753**	**126**	**17,178**
At 31 December 2019				
Cost	**15,257**	**6,531**	**895**	**22,683**
Accumulated depreciation	**(2,958)**	**(1,778)**	**(769)**	**(5,505)**
Net book amount	**12,299**	**4,753**	**126**	**17,178**

13 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Selling expenses	**23**	24
Administrative expenses	**898**	931
Research and development expenses	**940**	256
	1,861	1,211

As at 31 December 2019, building of RMB12,299,000 was pledged to the Group's certain bank borrowings (2018: RMB13,022,000) (Note 29(a)).

As at 31 December 2019, equipment of RMB3,258,000 was pledged to the Group's other borrowing (2018: Nil) (Note 29(b)).

14 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2018			
Cost	73	8,263	8,336
Accumulated amortisation	—	(2,462)	(2,462)
Net book amount	73	5,801	5,874
Year ended 31 December 2018			
Opening net book amount	73	5,801	5,874
Additions	—	17,769	17,769
Amortisation charge	—	(2,869)	(2,869)
Closing net book amount	73	20,701	20,774
At 31 December 2018			
Cost	73	24,408	24,481
Accumulated amortisation	—	(3,707)	(3,707)
Net book amount	73	20,701	20,774

14 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening net book amount	73	20,701	20,774
Additions	–	8,216	8,216
Amortisation charge	–	(5,330)	(5,330)
Disposal	–	(4,124)	(4,124)
Closing net book amount	73	19,463	19,536
At 31 December 2019			
Cost	73	27,469	27,542
Accumulated amortisation	–	(8,006)	(8,006)
Net book amount	73	19,463	19,536

During the year ended 31 December 2018, the Group wrote off fully-depreciated intangible assets with total cost of RMB1,624,000.

Amortisation is included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	–	745
Administrative expenses	300	58
Research and development expenses	5,030	2,066
	5,330	2,869

15 RIGHT-OF-USE ASSETS

	Properties RMB'000
At 1 January 2018	
Cost	3,670
Accumulated depreciation	(2,016)
Net book amount	1,654
Year ended 31 December 2018	
Opening net book amount	1,654
Additions	5,873
Depreciation	(2,006)
Closing net book amount	5,521
At 31 December 2018	
Cost	9,543
Accumulated depreciation	(4,022)
Net book amount	5,521
Year ended 31 December 2019	
Opening net book amount	**5,521**
Additions	**6,884**
Depreciation	**(1,967)**
Write-off	**(4,787)**
Closing net book amount	**5,651**
At 31 December 2019	
Cost	**6,884**
Accumulated depreciation	**(1,233)**
Net book amount	**5,651**

Depreciation is included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Administrative expenses	**1,967**	2,006

16 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade receivables (Note 19)	**51,240**	15,040
— Other financial assets at amortised cost (Note 21)	**3,956**	3,341
— Pledged bank deposits (Note 23)	**6,503**	8,312
— Cash and cash equivalents (Note 23)	**178,452**	44,266
	240,151	70,959
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade payables (Note 26)	**41,523**	11,855
— Lease liabilities (Note 30)	**5,396**	5,740
— Bank and other borrowings (Note 29)	**66,850**	61,070
— Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**11,626**	7,633
	125,395	86,298

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Short-term investments		
— Debt instruments		
At 1 January	**–**	20,000
Addition	**1,000**	51,100
Fair value change (Note 6)	**2**	2,213
Disposal	**(1,002)**	(73,313)
	–	–

18 INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Finished goods	**3**	283

The cost of materials recognised as expense and included in "cost of sales" in the consolidated statement of comprehensive income amounted to RMB66,675,000 for the year ended 31 December 2019 (2018: RMB53,043,000).

19 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
USD	**798**	513
HKD	**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 29(a)).

19 TRADE RECEIVABLES (CONTINUED)

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

	2019 RMB'000	2018 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 RMB'000	2018 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

19 TRADE RECEIVABLES (CONTINUED)

(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.

20 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	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 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

21 PREPAYMENTS AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayments		
Deferred listing expenses	**–**	1,777
Prepaid expenses	**1,983**	1,331
Prepayment for property (Note i)	**40,000**	20,000
Prepayment for a motor vehicle	**884**	–
	42,867	23,108
Less: portion classified as non-current assets	**(40,884)**	(20,000)
	1,983	3,108
Other financial assets at amortised cost		
Amount due from shareholders (Note 34)	**–**	87
Utilities and other deposits (Note ii)	**3,667**	592
Other receivables	**289**	2,662
	3,956	3,341

Notes:

(i) The non-current prepayment for property as at 31 December 2018 and 2019 included a property in Shenzhen, the PRC, of RMB20,000,000 and RMB40,000,000, respectively. The total consideration for the property was amounted to RMB61,960,000 and the transaction is expected to be completed in 2020.

(ii) The other deposits comprise pledged deposits of approximately RMB800,000 and RMB1,200,000 which are pledged for the bank borrowings of RMB5,300,000 (Note 29(a)) and other borrowings of RMB15,460,000 (Note 29(b)), respectively, as at 31 December 2019 (2018: Nil).

The carrying amounts of other financial assets at amortised cost approximated their fair values at each reporting date. The prepayments and other financial assets at amortised cost are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**45,939**	26,362
USD	**–**	69
HKD	**884**	18
	46,823	26,449

22 INVESTMENT IN AN ASSOCIATE

	RMB'000
As at 1 January 2019	–
Addition	400
Share of profit of an associate	40
As at 31 December 2019	440

The details of the associate of the Group are as follows:

Name	Country and date of establishment	Registered capital	Percentage of equity interest attributable to the Group	Principal activities
Caixin (Nanjing Jiangbei New District) Financial Technology Service Co., Ltd. (賽信（南京江北新區）金融科技服務有限公司)	PRC, 4 January 2019	RMB2,000,000	20%	Provision of data solutions

* The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

There are no material contingent liabilities relating to the Group's investment in an associate, and no material contingent liabilities of the associate itself.

23 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank	**178,373**	44,241
Cash on hand	**79**	25
Cash and cash equivalents	**178,452**	44,266
Pledged bank deposits (Note i)	**6,503**	8,312
Maximum exposure to credit risk	**184,876**	52,553

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**44,381**	40,285
USD	**16,823**	3,835
HKD	**117,248**	146
	178,452	44,266

Note:

(i) As at 31 December 2019, pledged bank deposits of RMB6,503,000 (2018: RMB8,312,000) were pledged at a bank to secure the Group's bank borrowings (Note 29(a)). Pledged bank deposits are denominated in RMB and deposited with creditworthy banks with no recent history of default.

As at 31 December 2019, the Group had cash and cash equivalents and pledged bank deposits amounting to RMB51,280,000 (2018: RMB48,839,000), which are held in the PRC. These balances are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

24 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:			
Ordinary shares of HKD0.01 each as at 6 December 2018 (date of incorporation) and 31 December 2018		38,000,000	336
Creation of shares	(iii)	1,962,000,000	17,554
As at 31 December 2019		2,000,000,000	17,890
Issued:			
At 6 December 2018 (date of incorporation)	(i)	1	—
Issue of ordinary shares pursuant to the Reorganisation	(ii)	9,999	—
As at 31 December 2018		10,000	—
Issue of shares during Reorganisation	(iii)	**299,990,000**	**2,683**
Issue of shares pursuant to the Share Offer	(iv)	**100,000,000**	**895**
As at 31 December 2019		**400,000,000**	**3,578**

Notes:

(i) On 6 December 2018, the Company was incorporated as an exempted company with limited liability under Cayman Islands with an authorised share capital of 38,000,000. Upon incorporation, one ordinary share of HKD0.01 each of the Company was issued.

(ii) On 6 December 2018, the Company issued and allotted 9,999 ordinary shares of HKD0.01 each of the Company.

(iii) On 15 November 2019, the Company increased the authorised shares from 38,000,000 to 2,000,000,000 by creating a further of 1,962,000,000 shares. On the same day, the Company issued and allotted 299,990,000 shares of HKD0.01 each of the Company to its respective shareholders and credited against share premium.

(iv) In connection with the Company's listing on Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2019, 100,000,000 new ordinary shares of HKD0.01 each were issued at a price of HKD1.5 per share for a total consideration (before share issuance expenses) of approximately RMB134,619,000, credited to share capital of RMB895,000 and share premium of RMB133,724,000, respectively. In addition, issuance costs amounting to approximately RMB11,401,000 was charged against the share premium account of the Company.

25 OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Exchange reserve RMB'000	Statutory reserve RMB'000 (Note iii)	Total RMB'000
Balance at 1 January 2018	—	46,533	(81)	3,377	49,829
Other comprehensive income					
Currency translation differences	—	—	275	—	275
Transactions with owners in their capacity as owners					
Capital contribution to subsidiaries by equity holders of subsidiaries	—	10,087	—	—	10,087
Transfer to statutory reserve (Note iii)	—	—	—	2,657	2,657
	—	10,087	—	2,657	12,744
Balance at 31 December 2018	—	56,620	194	6,034	62,848
Balance at 1 January 2019	**—**	**56,620**	**194**	**6,034**	**62,848**
Other comprehensive income					
Currency translation differences	**—**	**—**	**(245)**	**—**	**(245)**
Transactions with owners in their capacity as owners					
Capitalisation issue of shares (Note 24(iii))	**(2,683)**	**—**	**—**	**—**	**(2,683)**
Issue of shares pursuant to the Share Offer, net (Note 24(iv))	**133,724**	**—**	**—**	**—**	**133,724**
Capital contribution to a subsidiary by an equity holder of a subsidiary (Note ii)	**—**	**4,167**	**—**	**—**	**4,167**
Share-based compensation — non employee (Note ii)	**—**	**2,432**	**—**	**—**	**2,432**
Transfer to statutory reserve (Note iii)	**—**	**—**	**—**	**2,877**	**2,877**
Listing expenses charged to share premium (Note 24(iv))	**(11,401)**	**—**	**—**	**—**	**(11,401)**
	119,640	**6,599**	**—**	**2,877**	**129,116**
Balance at 31 December 2019	**119,640**	**63,219**	**(51)**	**8,911**	**191,719**

25 OTHER RESERVES (CONTINUED)

Notes:

(i) Capital reserve represents the combined paid-in capital of the group companies and capital contribution to subsidiaries by equity holders of subsidiaries upon completion of Reorganisation.

(ii) 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 fair value of the equity interests issued as of the share issuance date exceeded 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 exist.

(iii) The balance is reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserve, which is to be appropriated from the net profit (after offsetting accumulated loss from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. PRC Company is required to appropriate 10% of statutory net profits to statutory reserve, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserve shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company. In addition, a company may make further contributions to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

26 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

26 TRADE PAYABLES (CONTINUED)

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
HKD	**10**	1,333
USD	**804**	—
	41,523	11,855

27 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Accrued salaries and wages	**12,126**	7,322
Other tax payables	**5,839**	2,444
Accrued listing expenses	**3,248**	985
Other payables for purchase of equipment and intangible assets	**4,716**	5,469
Others	**3,662**	1,179
	29,591	17,399

The carrying amounts of the accruals and other payables (excluding non-financial liabilities) approximate their fair values as at 31 December 2018 and 2019. The carrying amounts of the accruals and other payables (excluding non-financial liabilities) are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**8,077**	7,633
HKD	**3,549**	—
	11,626	7,633

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when taxes are related to the same taxation authority and where offsetting is legally enforceable.

The net movements on the deferred income tax assets of the Group are as follows:

	Decelerated/ (accelerated) tax depreciation RMB'000
At 1 January 2018	(247)
Credited to the consolidated sta1tement of comprehensive income (Note 10)	196
At 31 December 2018	(51)
At 1 January 2019	**(51)**
Credited to the consolidated statement of comprehensive income (Note 10)	**277**
At 31 December 2019	**226**

There are no income tax consequences attaching to the payment of dividends by the companies now comprising the Group to their then respective shareholders.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in the PRC at 31 December 2019 in respect of the tax losses in the amount of RMB7,563,000 (2018: RMB1,927,000), which are available for offsetting against future taxable profits of the company in which the losses arose. These tax losses will expire by 31 December 2029 (2018: 31 December 2028).

According to the new EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

As at 31 December 2019, deferred income tax liabilities of RMB2,937,000 (2018: RMB2,702,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the year ended 31 December 2019. The unremitted earnings are to be used for long-term future development. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

29 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%).

29 BANK AND OTHER BORROWINGS (CONTINUED)

(a) Bank borrowings (Continued)

As at 31 December 2019, the Group had aggregate banking facilities of RMB61,474,000 (2018: RMB70,058,000). Unused facilities as at the same date amounted to 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) (Note 13);

(iii) pledged bank deposits of approximately RMB6,503,000 held at bank as at 31 December 2019 (2018: RMB8,312,000) (Note 23);

(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)**	—
	6,438	—

29 BANK AND OTHER BORROWINGS (CONTINUED)

(b) Other borrowings (Continued)

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 of approximately RMB3,258,000 (2018: Nil).

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

30 LEASE LIABILITIES

	2019 RMB'000	2018 RMB'000
Within one year	**2,079**	1,779
One to two years	**2,567**	1,346
Two to five years	**1,214**	1,414
Over five years	**—**	1,986
Total lease payments	**5,860**	6,525
Less: future finance charges	**(464)**	(785)
Total lease liabilities	**5,396**	5,740
Less: portion classified as current liabilities	**(1,791)**	(1,474)
	3,605	4,266

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

During the year, the Group's operating lease rental payments relating to short-term and low-value leases of RMB3,138,000 for the year ended 31 December 2019 (2018: RMB535,000) have been recognised as expenses and included in cost of sales, administrative expenses and research and development expenses in the consolidated statement of comprehensive income.

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses for the year ended 31 December 2019 is RMB2,098,000 (2018: RMB2,209,000).

31 CASH GENERATED FROM OPERATIONS

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax	**10,515**	27,172
Adjustments for:		
Share-based compensation — non-employee	**2,432**	—
Share of profit of an associate	**(40)**	—
Gain on early termination of lease	**(234)**	—
Depreciation of property and equipment	**1,861**	1,211
Amortisation of intangible assets	**5,330**	2,869
Depreciation of right of use assets	**1,967**	2,006
Provision for impairment of trade receivables	**2,794**	142
Provision for impairment for contract assets	**3,525**	—
Loss on disposal of property and equipment	**4**	24
Gain on disposal of intangible assets	**(1,031)**	—
Finance costs, net	**4,062**	2,899
Fair value gains on short-term investments	**(2)**	(2,213)
Operating cash flows before changes in working capital	**31,183**	34,110
Changes in working capital:		
(Increase)/decrease in trade receivables	**(38,996)**	5,363
Increase in prepayments and other financial asset at amortised cost	**(1,806)**	(2,167)
Decrease/(increase) in contract assets/liabilities, net	**1,849**	(23,689)
Decrease in inventories	**280**	931
Increase in trade payables	**29,593**	2,567
Increase in accruals and other payables	**10,585**	146
Cash generated from operations	**32,688**	17,261

In the consolidated statement of cash flows, proceeds from disposals of property and equipment comprise:

	2019 RMB'000	2018 RMB'000
Property and equipment		
Net book value	**6**	24
Loss on disposal of property and equipment	**(4)**	(24)
Proceeds from disposal of property and equipment	**2**	—

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(a) Non-cash transactions

During the year ended 31 December 2019, additions to the right-of-use assets amounted to RMB6,448,000 (2018: RMB5,873,000).

(b) Net cash/(debt) reconciliation

This section sets out an analysis of net cash/(debt) and the movements in net cash/(debt) for each of the years presented.

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**178,452**	44,266
Pledged bank deposits and other deposits	**8,503**	8,312
Bank and other borrowings	**(66,850)**	(61,070)
Lease liabilities	**(5,396)**	(5,740)
Net cash/(debt)	**114,709**	(14,232)

	Cash and cash equivalents RMB'000	Pledged bank deposits and other deposits RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2018	40,935	2,988	(21,550)	(1,772)	20,601
Cash flows	3,131	5,324	(39,520)	2,209	(28,856)
Other changes	—	—	—	(6,177)	(6,177)
Foreign exchange adjustments	200	—	—	—	200
Net debt as at 31 December 2018	44,266	8,312	(61,070)	(5,740)	(14,232)
Cash flows	134,021	191	(5,780)	2,498	130,930
Acquisition — leases	—	—	—	(1,863)	(1,863)
Other changes	—	—	—	(291)	(291)
Foreign exchange adjustments	165	—	—	—	165
Net cash as at 31 December 2019	**178,452**	**8,503**	**(66,850)**	**(5,396)**	**114,709**

32 COMMITMENTS

(a) Capital commitments

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

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

33 ACQUISITION OF NON-CONTROLLING INTERESTS

On 3 September 2018, Suoxinda Shenzhen acquired the remaining 40% equity interests of Suoxinda Beijing, a 60% owned subsidiary, from the non-controlling shareholders at a consideration of RMB100,000. After the aforesaid acquisition of equity interests, Suoxinda Beijing became a directly wholly-owned subsidiary of Suoxinda Shenzhen.

	3 September 2018 RMB'000
Carrying amount of non-controlling interests acquired	(344)
Consideration paid to non-controlling interests	(100)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(444)

34 RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of the consolidated financial statements, parties are considered to be related to the Group if the parties have the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Management is of the view that the following were related parties that had transactions or balances with the Group as at and during each of the years ended 31 December 2018 and 2019 as they are owned by certain directors of the Company.

Name of the related parties	Relationship with the Group
Mr. Song	Chairman, director and controlling shareholder
Mr. Wu Xiaohua ("Mr. Wu")	Director and shareholder
Ms. Huang Liming	Mr. Song's spouse
Ms. Chi Xianfang	Mr. Wu's spouse
Mr. Lam Chun Hung Stanley ("Mr. Lam")	Director
Ms. Wang Jing ("Ms. Wang")	Director
Mr. Cao Xinjian	Senior management
Ms. Wei Huijuan	Senior management
Ms. Li Qiongmei	Senior management
Mr. Wang Jialin	Senior management
Ms. Yu Hongcui	Senior management
Ms. Pan Honglian	Senior management
Ms. Shao Ping	Senior management

(a) Financial guarantee

As at 31 December 2018, Mr. Song, Mr. Wu and their spouses provided unlimited personal guarantee to the banking facilities of the Group. All such guarantees were released before Listing.

(b) Amounts due from/(to) shareholders

The amounts due from/(to) shareholders of the Group are non-trade in nature, unsecured, interest-free and receivable/repayable on demand. The carrying value of these balances approximate their fair values as at 31 December 2018. All amounts due from/(to) shareholders of the Group were settled during the year ended 31 December 2019.

The carrying amounts of these balances of the Group were denominated in USD and HKD.

34 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(c) Key management compensation

The compensation paid or payable to key management for employee services during the year ended 31 December 2019 and 2018 are shown below:

	2019 RMB'000	2018 RMB'000
Salaries, bonuses, fees and allowances	**7,030**	2,371
Pension costs	**143**	19
Social security costs and other employee benefits	**445**	118
	7,618	2,508

35 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director paid/payable by the Group for each of the years ended 31 December 2018 and 2019 are as follows:

Year ended 31 December 2018

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking							
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution of a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking RMB'000	Total RMB'000
Executive directors								
Mr. Song	–	214	–	53	20	–	–	287
Mr. Wu	–	200	–	50	20	–	–	270
Mr. Lam	–	152	–	–	–	–	–	152
Ms. Wang	–	264	59	62	27	–	–	412
	–	830	59	165	67	–	–	1,121

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Year ended 31 December 2019

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking							
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution of a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking RMB'000	Total RMB'000
Executive directors								
Mr. Song	34	280	150	70	54	–	–	588
Mr. Wu	20	224	120	56	45	–	–	465
Mr. Lam	20	158	–	–	–	–	–	178
Ms. Wang	20	384	180	158	57	–	–	799
Independent Non-Executive Directors								
Mr. Tu Xinchun ("Mr. Tu")	13	–	–	–	–	–	–	13
Ms. Zhang Yahan ("Ms. Zhang")	13	–	–	–	–	–	–	13
Dr. Qiao Zhonghua ("Dr. Qiao")	13	–	–	–	–	–	–	13
	133	1,046	450	284	156	–	–	2,069

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

The remunerations shown above represent remunerations received from the group companies by these directors in their capacity as employees to group companies and no directors waived any emolument during the year ended 31 December 2019 (2018: Nil).

No director fees were paid to these directors in their capacity as directors of the group companies and no emoluments were paid by the group companies to the directors as an inducement to join the group companies, or as compensation for loss of office during the year ended 31 December 2019 (2018: Nil).

During the year ended 31 December 2019, no significant transactions, agreements and contracts in relation to the Group's business to which the Group was a party and in which a director of the group companies had material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2019 (2018: Nil).

During the year ended 31 December 2019, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2018: Nil).

Mr. Song, Mr. Wu, Mr. Lam and Ms. Wang, were appointed as the Company's executive directors on 6 December 2018.

Ms. Zhang, Mr. Tu and Dr. Qiao were appointed as the Company's independent non-executive directors on 15 November 2019.

36 PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has direct and indirect equity interests in the following subsidiaries:

Company name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Effective equity interest held 2019	Effective equity interest held 2018	Principal activities
Directly held subsidiaries					
Prophet Technology (先知科技有限公司)	British Virgin Islands, limited liability company	50,000 ordinary shares of US$1 each USD50,000	**100%**	N/A	Investment holding
Indirectly held subsidiaries					
Blue Whale (藍鯨智能科技有限公司)	Hong Kong, limited liability company	10,000 ordinary shares HKD10,000	**100%**	N/A	Investment holding
Hongkong Hongsheng (香港泓盛投資有限公司)	Hong Kong, limited liability company	10,000 ordinary shares HKD10,000	**100%**	N/A	Investment holding
Suoxinda Shenzhen (深圳索信達數據技術有限公司)	PRC, limited liability company	59,639,894 ordinary shares of RMB1 each RMB59,639,894	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Suoxinda Beijing (索信達（北京）數據技術有限公司)	PRC, limited liability company	20,000,000 ordinary shares of RMB1 each RMB20,000,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Sourcing Industrial Development (HK) Co. Limited (索信實業發展（香港）有限公司)	Hong Kong, limited liability company	10,000 ordinary shares HKD10,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Datamargin (Hong Kong) Co., Ltd. (捷客數據（香港）有限公司)	Hong Kong, limited liability company	100,000 ordinary shares HKD100,000	**100%**	100%	Investment holding and provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services

All of the above subsidiaries are limited liability companies. None of the subsidiaries had issued any debt securities during the year or at the end of the year.

37 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current asset			
Investment in a subsidiary		**69,451**	—
Current assets			
Amount due from subsidiary		**1,342**	—
Cash and cash equivalent		**116,560**	—
Total assets		**187,353**	—
EQUITY			
Equity attributable to the owners of the Company			
Share capital	24	**3,578**	—
Other reserves	Note	**188,806**	—
Accumulated loss		**(25,352)**	—
Total equity		**167,032**	—
LIABILITIES			
Current liabilities			
Accruals and other payables		**4,703**	—
Amounts due to subsidiaries		**15,618**	—
Total liabilities		**20,321**	—
Total equity and liabilities		**187,353**	—

As at 31 December 2018, nominal value of the Company's share capital is less than RMB1,000.

37 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note: Movement in the Company's other reserves

	Share premium RMB'000	Capital reserve (Note i) RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2019	–	–	–	–	–
Comprehensive loss					
Loss for the year	–	–	–	(25,352)	(25,352)
Other comprehensive loss					
Currency translation differences	–	–	(285)	–	(285)
Total comprehensive loss for the year	–	–	(285)	(25,352)	(25,637)
Transactions with owners in their capacity as owners					
Contributed surplus during Reorganisation	–	69,451	–	–	69,451
Capitalisation issue of shares (Note 24(iii))	(2,683)	–	–	–	(2,683)
Issue of shares pursuant to the Share Offer, net (Note 24(iv))	133,724	–	–	–	133,724
Listing expenses charged to share premium (Note (iv))	(11,401)	–	–	–	(11,401)
	119,640	69,451	–	–	189,091
At 31 December 2019	119,640	69,451	(285)	(25,352)	163,454

Note:

(i) Capital reserve represents the notional capital contribution from the Company's shareholders arising from the aggregate of the nominal value of the share capital of the subsidiary acquired by the Company pursuant to Reorganisation.

38 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 report, 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 HKD30,000,000, which have been deposited in cash by the Group to a designated account opened with and maintained by Wonderland International Securities Limited.

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years.

RESULTS

	For the year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**257,915**	185,549	139,386	170,404
Gross profit	**91,594**	63,077	46,461	38,773
Profit before income tax	**10,515**	27,172	23,591	15,572
Income tax expenses	**(6,391)**	(4,529)	(2,714)	(2,043)
Profit for the year	**4,124**	22,643	20,877	13,529
Profit/(loss) for the year attributable to:				
Owners of the Company	**4,124**	23,156	20,765	13,572
Non-controlling interests	**—**	(513)	112	(43)

ASSETS AND LIABILITIES

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**83,915**	63,958	23,206	22,419
Current assets	**289,761**	118,460	103,401	75,377
Non-current liabilities	**10,043**	4,317	612	1,214
Current liabilities	**154,073**	102,237	47,961	34,054
Net current assets	**135,688**	16,223	55,440	41,323
Total assets less current liabilities	**219,603**	80,181	78,646	63,742