索信达控股有限公司
SUOXINDA HOLDINGS LIMITED

(Incoporated in the Cayman Islands with limited liability)

Stock code: 3680

2021
Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS	Mr. Chen Zhenping *(appointed on 1 March 2022)* Dr. Wu Fu-Shea *(appointed on 10 September 2021)* Mr. Wu Xiaohua
NON-EXECUTIVE DIRECTORS	Mr. Song Hongtao *(Chairman of the Board) (re-designated from executive Director to non-executive Director on 28 March 2022)* Dr. Mo Keqi *(appointed as executive Director on 1 March 2022, and re-designated from executive Director to non-executive Director on 28 March 2022)* Mr. Jiang Senlin *(appointed on 28 March 2022)*
INDEPENDENT NON-EXECUTIVE DIRECTORS	Mr. Tu Xinchun Ms. Fan Wenxian *(appointed on 1 March 2022)* Dr. Chen Wei *(appointed on 28 March 2022)*
CHIEF EXECUTIVE OFFICER	Dr. Wu Fu-Shea
COMPANY SECRETARY	Mr. Wong Tin Yu *(ACG, HKACG)*
AUTHORIZED REPRESENTATIVES	Dr. Mo Keqi *(appointed on 1 March 2022)* Mr. Wong Tin Yu
AUDIT COMMITTEE	Mr. Tu Xinchun *(Committee Chairman)* Dr. Mo Keqi *(appointed on 28 March 2022)* Dr. Chen Wei *(appointed on 28 March 2022)*
REMUNERATION COMMITTEE	Dr. Chen Wei *(Committee Chairman) (appointed on 28 March 2022)* Mr. Jiang Senlin *(appointed on 28 March 2022)* Mr. Tu Xinchun
NOMINATION COMMITTEE	Ms. Fan Wenxian *(Committee Chairman) (appointed on 28 March 2022)* Mr. Chen Zhenping *(appointed on 28 March 2022)* Dr. Chen Wei *(appointed on 28 March 2022)*
INDEPENDENT AUDITOR	**ZHONGHUI ANDA CPA Limited** Unit 701, 7/F. Citicorp Centre 18 Whitfield Road Causeway Bay 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	Room 4101, 41st Floor, Building 2 Euro-American Financial City Cangqian Street, Yuhang District Hangzhou City, Zhejiang Province People's Republic of China
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

Revenue for the Reporting Period amounted to approximately RMB397,372,000, representing an increase of approximately 20.3% or approximately RMB67,082,000 as compared with 2020. The increase in revenue was mainly due to (i) a substantial increase of approximately 89.9% or RMB50,236,000 in revenue from our business in Northern China resulting from rapid development of our Group's business in this area; (ii) the steady growth of our Group's business in Southern China, with an increase of approximately 15.3% or approximately RMB31,727,000 in the relevant revenue as compared with 2020.

Gross profit for the Reporting Period amounted to approximately RMB129,196,000, representing an increase of approximately 9.9% as compared with 2020. This was mainly due to the steady growth of our business. Gross profit margin for the Reporting Period was approximately 32.5%, representing a decrease of approximately 3.1% as compared with 2020. The decrease in gross profit margin was mainly due to the fact that for orders from our Group's certain newly acquired customers, the testing, delivery and training of data systems were prolonged as a result of the containment measures of the pandemic and our operating costs increased accordingly.

Net loss for the Reporting Period amounted to approximately RMB75,987,000 (2020: net loss of RMB12,712,000). The increase in net loss was mainly due to:

1. an increase of RMB11,294,000 in the selling expenses as compared with 2020 for our Group to expand new markets and acquire new customer, especially: (i) a growth of approximately RMB7,929,000 in the marketing staff costs for sales and pre-sales staff; and (ii) a rise approximately RMB1,724,000 in brand promotion expenses;

2. a rise in operating cost caused by the prolonged testing, delivery and training of data systems for orders from certain newly acquired customers due to the implementation of containment measures of the pandemic;

3. an increase in administrative expenses and staff costs due to our Group's business expansion in Southern China, Northern China and Eastern China, which resulted in, among others: (i) an increase of approximately RMB12,247,000 in the administrative staff cost as compared with 2020; and (ii) approximately RMB5,473,000 increase in office rentals as compared to 2020 due to the increase in our office leasing areas;

4. a growth in consulting service fees of approximately RMB8,118,000 as compared with 2020 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to the application for trading resumption;

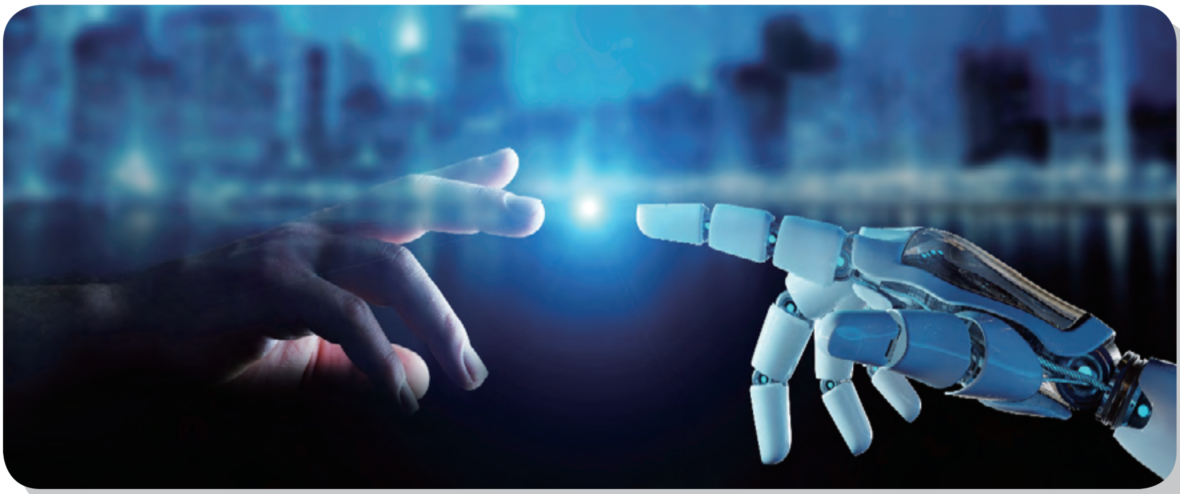
5. an increase of approximately RMB19,310,000 in the R&D expenses as compared with 2020 which was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020; and

6. the expected credit losses on financial and contract assets of RMB23,884,000.

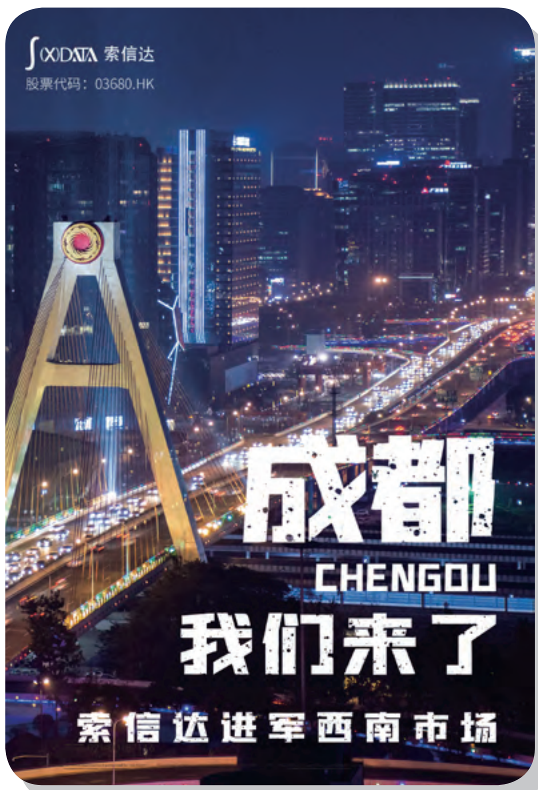
Basic and diluted loss per share for the Reporting Period was RMB19.0 cents (2020: loss of RMB3.3 cents per share), which is mainly due to the net loss recorded during the Reporting Period.

Milestones in 2021

In January 2021, our Company officially launched the "Federated Learning" artificial intelligence solution to help financial institutions break down data silos, strengthen data privacy protection, and protect data security in the financial industry.



In February 2021, our Chengdu branch was established, marking the official blowing of trumpet of our Company's entry into the Southwest China market. By now, our Company has formed a strategic layout with four major markets in North China, East China, South China and Southwest China echoing each other, laying a solid foundation for further expansion of market share in the financial industry and providing good customer service.



Milestones in 2021

In March 2021, our Shenzhen office was expanded and relocated to Shenzhen National Hi-Tech Industrial Park, which is known as "Shenzhen Silicon Valley" and has nurtured hundreds of listed companies, ushering in a brand new moment for our development.

In April 2021, the Company was officially selected as a full member of the Big Data Standard Working Group of the National Information Technology Standardization Technical Committee to fully participate in the construction of the Big Data standard system in line with the national strategy of Big Data.

In May 2021, our Company established the Data Platform Division to rapidly expand the team and launch products to comprehensively consolidate Suoxinda's data platform construction and operation service capabilities.

Milestones in 2021

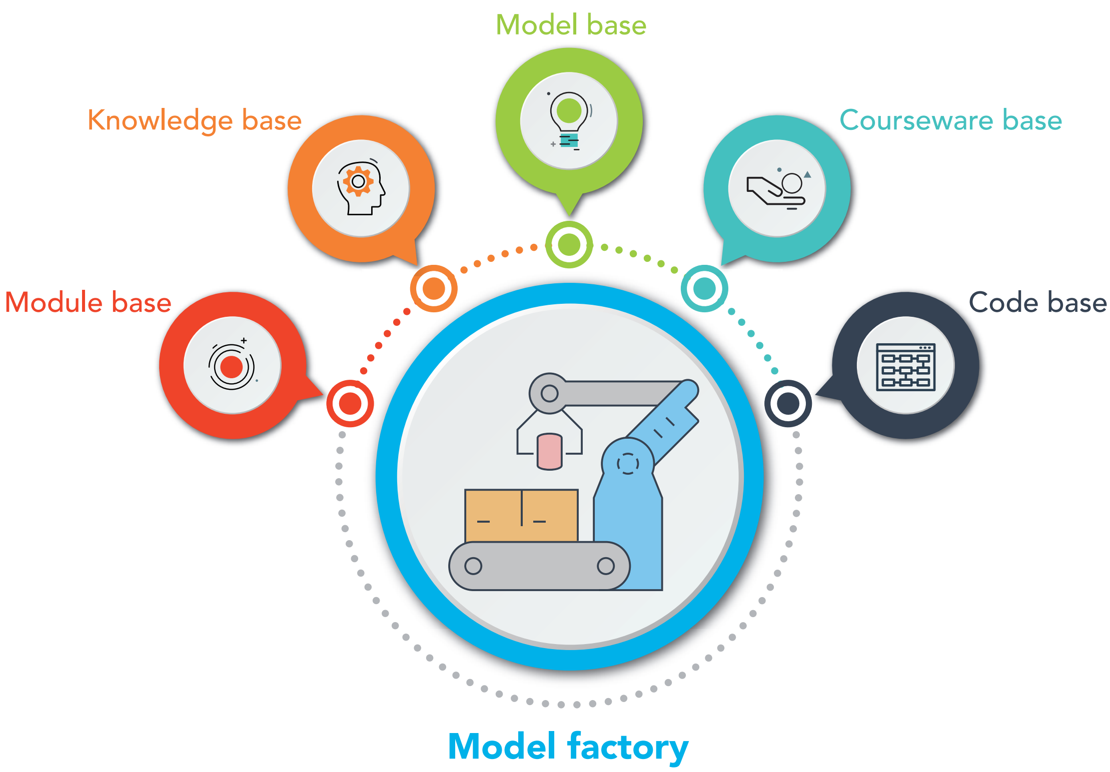
In June 2021, our Company officially relocated our headquarters to Hangzhou, which will leverage Hangzhou's advantages of gathering talents and technologies in digital economy and fintech to provide strong support for our Company's future development.

In July 2021, our self-developed "Suoxinda Lingxi Integrated and Intelligent Marketing Platform" was awarded the "Chinese Best Data Analysis Technology Award (Marketing)" by The Asian Banker, demonstrating our technological leadership in the field of data intelligence and marketing technology.

In August 2021, Department of Science and Technology of Guangdong Province recognized our Company as "Financial and Artificial Intelligence Engineering Technology Research Centre in Guangdong Province", which is a significant recognition of our deep commitment to finance and artificial intelligence technology. We will rely on this center to focus on the technical research and achievements transformation which intergates AI technology and financial business, and actively play a leading role in the development of science and technology innovation-driven industries.

Milestones in 2021

In September 2021, our Company officially released the first "Model Factory" AI solution in China, leading financial institutions to revolutionize data and AI model production, which became another milestone achievement of Suoxinda in the front line of AI big data new product development.



In September 2021, our Company was listed in the "2021 IDC China FinTech Top 50 in 2021" and was also selected in the report "China Banking Industry IT Solution Market Share, 2020" released by IDC, China in which our Company was ranked in the first tier of the banking industry customer resource management solution market with the second place in market share.

In September 2021, we expanded our team in Xiamen and opened a new office to enhance our R&D capabilities and to better serve our local customers.

In November 2021, our Company invested and established Suoxinda (Shenzhen) Software Technology Co., Ltd.*. This is a software subsidiary established by our Company to implement our product development strategy and to better promote the development and growth of our self-developed software business.

In December 2021, our Company invested in Shenzhen Shuxi Technology Co., Ltd.*. This is a company in which our Company invested and participated in the securities industry and non-banking business in order to provide more in-depth services in the financial digitalization segment, so as to make a closer match with the market in terms of customer groups and product adaptations.

CHAIRMAN'S STATEMENT

Chairman's Statement

Thanks to the support of our customers, Shareholders, investors and our team, Suoxinda's overall performance has grown steadily in 2021, with the total revenue increased by approximately 20.3% and the revenue from the core business data solutions grew by approximately 30.9%, Suoxinda has achieved sustained growth for five consecutive years.

The 2021 government work report reiterated the accelerated development of the digital economy, and digital transformation has become an integral part of industry development. As a major service provider for digital transformation in the financial industry, Suoxinda caters to the needs of the times and continues to provide high-quality digital products and solutions to leading customers in the financial industry, with new sales contract value increasing by approximately 64%. In the past year, we have deepened the relationships with key customers, with 100% renewal rate of existing customers, and continued to maintain high quality service and delivery to win the trust of our customers. Our business scope was expanded from retail finance to financial management, private banking, corporate banking business as well as to micro and small financial institutions, further increasing the business coverage of our customers. Revenue of our subsidiary, Yinxing Intelligent, grew by approximately 76%, which has exceeded the target.

To better realize our strategic layout as an absolute leader in financial digitization, we continued to increase our investment in marketing and R&D, in order to fully invest and prepare for growth in the coming years. In 2021, the number of our technicians increased by about 75% and the number of our core employees increased by about 20%, and we have preliminary completed the talent blueprint for the next three years; we have released a competitive equity incentive plan to fully motivate our team, attract and activate the core talent's motivation and creativity, and maintain our team's vitality; we have also won a number of industry awards, and in the ranking released by IDG China, we ranked the second place in the banking industry customer resource management solution market. In the next two years, we will continue to strive to be the absolute leader in this field. In the coming year, against the background of the national strategy of seeking progress in a stable manner, our business strategy is to continue to cultivate leading financial customers, have a stronger focusing on the endogenous value creation of enterprises, increase the resource to high-quality financial customers, and make deeper and larger strategic cooperation with leading customers. At the same time, we also proactively plan for national strategic financial markets, such as inclusive finance and green finance, and in terms of internal operation, we will further improve the board governance structure and establish a more diversified board organization to provide strong support for the long-term healthy development of the enterprise with corporate governance capabilities.

We will continue to seize market opportunities, create sustainable returns for our Shareholders and stakeholders, and bring positive value and impact to our customers and society!

Song Hongtao
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

Dr. Wu Fu-Shea
Executive Director and Chief Executive Officer

BUSINESS REVIEW FOR 2021

2021 remains a year of exceptional significance to the development of fintech and the digital transformation of finance in China. In 2021, which is the first year of the 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (the "**14th Five-Year Plan**"), the digital economy has maintained a healthy development, and the wave of digital transformation continuously has surged across industries. With the increasing emphasis on technology empowerment and digital innovation, financial institutions have continuously integrated their financial business with information technology, which has promoted the healthy and sustainable development of the digital ecology in finance, opened up a new pattern for the digital transformation of finance, and brought new opportunities to our development and growth.

Meanwhile, the COVID-19 pandemic is still affecting the operation of society in general. Although it was better controlled than in 2020, the pandemic resurged from time to time in different cities, which disrupted our communication with customers and hindered the implementation of projects, resulting in prolonged cycles of certain projects and affecting the recognition of operating revenue.

In the face of opportunities and challenges, riding on our technological competence in independent innovation, deep understanding of data intelligence application scenarios, rich experience in serving banks, and international and compound talent barriers, we have a firm strategic determination to overcome challenges, seize opportunities to create a competitive advantage in the focused field, and to become a first-class company in the intelligent marketing industry. We have improved ourselves amid challenges and enhanced our capability while facing tests. We have made unswerving efforts on business development, product research and development, talent development, marketing and so forth to make innovation in solutions and products for the market and customers, and provide a full range of professional services, in a bid to help customers to achieve data-driven digital transformation.

Management Discussion and Analysis

We experienced a robust growth in operating revenue in 2021 which amounted to approximately RMB397 million, representing an increase of approximately 20.3% as compared with 2020. Revenue from data solutions, our principal business, amounted to RMB258 million, representing an increase of approximately 30.9% as compared with 2020. Our Company made significant progress in business expansion in 2021. The value of newly signed sales contracts was RMB449 million, representing an increase of 64% as compared with 2020, which has laid an important foundation for our Company's sustainable growth.

1. Business Expansion: Continuous deepening of cooperation with recurring customers and making constant breakthroughs in acquisition of new customers

In the past year, our Company was recognised by the market with our professional strength and solid reputation. We have received increasing number of orders from recurring and new customers creating a market landscape with diversified customers, diversified scenarios and nationwide coverage. Our customers include diversified financial institutions, such as banks, insurers, securities firms, funds, financial holding groups and bank card organisations. Our Company assisted them in improving their all-round technological capabilities in digital transformation.

Putting in more efforts to enhance our relationships with leading banks. As a technology company that has cooperated with more than 80% of the leading banks in China, our Company has maintained long-term and in-depth cooperative relationships with large state-owned banks and national joint-stock banks. During the Reporting Period, we continuously sought cooperation opportunities with several leading banks that we had maintained long-term and stable cooperative relationships with. Apart from deepening the cooperation based on previous cooperation projects, we also constantly explored new cooperation opportunities in new fields and scenarios. We served 11 out of the 12 national joint-stock banks in the past year. For example, we have been cooperating with a leading joint-stock bank for nearly a decade and have been providing it with products and technical services based on data and intelligent marketing. We have constantly gained the trust of such customer and maintained a stable cooperative relationship with it. During the Reporting Period, we collaborated with such bank on more than 10 projects, including intelligent marketing platform, customer experience system, digital operation analysis system, wealth management platform, intelligent financial marketing system, user portrait analysis platform and big data platform, which fully reflects the customer's continued trust and recognition of us. During the Reporting Period, our contract renewal rate with leading banks reached 100%. We continuously expanded our business scale, in particular, our cooperation projects with eight banks have value over RMB10 million.

We forged ahead and won important new customers. On one hand, we continuously consolidate and deepen the cooperation with recurring customers. On the other hand, we actively attract new customers and make new progress. By leveraging the rich experience accumulated in serving large banks for many years and our upgraded products, we actively empower financial institutions to pursue digital transformation, facilitating the development of digital inclusive finance. The newly acquired customers not only include national joint-stock banks such as Industrial Bank and China Bohai Bank, but also small and medium-sized banks such as Bank of Nanjing, Liaoshen Bank, Jiangsu Suzhou Rural Commercial Bank, Shunde Rural Commercial Bank, Great Wall West China Bank and Blue Ocean Bank. In addition, there are also non-bank financial institutions including China UnionPay Data Services, CITIC-Prudential, China Merchants Securities and Great Wall Securities.

Making innovation and breakthroughs to expand businesses into new areas. With the in-depth development of digital transformation in the financial industry, various new scenarios and changes have emerged in the external environment and user needs. Focusing on the main scenarios and demands for digital transformation of finance, we consolidate our existing advantageous businesses and keep up with the new demands of the industry to provide data empowerment and marketing support for customers' wealth management, private banking, corporate business, small and micro enterprises and other key fields. We have entered into certain agreements with three national joint-stock banks in Southern China, Northern China and Eastern China in relation to cooperation projects about wealth management data analysis and customer management, which set a benchmark for us to further expand this business across the country.

Expanding our geographic presence to basically cover the major markets in China. We continuously expanded our geographic presence in the past year, established new branches and widened our business coverage in major markets in China. Our headquarters officially settled in Hangzhou during the Reporting Period, marking the start of our new strategy. In the meantime, we continue to put in more efforts in three markets of Southern China, Eastern China and Northern China, enabling our businesses to grow continuously. Moreover, we had a good start in our new markets in the northeastern and southwestern parts of China, and signed deals with key customers, which has laid a foundation for further development in these two regions.

Seeking synergistic development and achieving good results in mergers and acquisitions ("M&A"). We completed the acquisition of Shenzhen Yinxing Intelligent Data Co., Ltd. (深圳銀興智能數據有限公司) ("**Yinxing Intelligent**"), a Hadoop service provider in China, in December 2020, in order to enhance technical and service capabilities in the underlying platform of big data. Over the past year, with the support of our Group, Yinxing Intelligent experienced rapid development in business, with a year-on-year increase of approximately 76% in its revenue during the Reporting Period creating multiple cross-selling opportunities with remarkable synergies. This also shows the correctness and significance of our acquisition strategy.

2. Expansion in Research and Development ("R&D"): Upgrading and optimising the product portfolios, and increasing customer cases

Innovation is the vitality of technology companies. In the past year, we recognized the continuous importance and increased investment in technology R&D and product innovation, as well as put in more efforts to promote the independent R&D, promotion and application of advanced technologies such as artificial intelligence and big data analysis. During the Reporting Period, our Company's R&D expenses increased by approximately 45.8% as compared with that in 2020, and R&D expenses accounted for approximately 15.5% of our annual revenue. There were 55 new patent applications and 35 new software copyright certificates, and the number of our professional technicians increased by approximately 83%.

Lingxi Integrated and Intelligent Marketing Platform Series was iterated and optimised. "Lingxi", our blockbuster product series in the field of intelligent marketing, has won high praise in the market. It obtained awards including the Chinese Best Data Analysis Technology Award (Marketing) from The Asian Banker. Based on the product line, we continuously iterated and optimised "Lingxi" product series according to market demands and technological updates, so as to adapt to new market changes and a wider range of scenarios. In 2021, Lingxi product series was applied to the projects of multiple customers, including China CITIC Bank Credit Card Center, Bank of Dongguan, Shenzhen Rural Commercial Bank, China Unionpay Data, China Merchants Securities, Guosen Securities and Great Wall Securities, which established an important benchmark for the application of our innovative standardised products in the banks and securities industries.

Making important progress in the R&D of AI products. During the Reporting Period, we upgraded the model management platform, unveiled the industry's first model factory solution, introduced the Micro-segmentation Meter Version 1.0 and published the Interpretable Machine Learning: Models, Methods and Practices, which is the first book in relation to interpretable machine learning in China. These industry-leading products and technologies are being successively applied to different customers' business scenarios, which facilitate technology empowerment and business innovation.

Innovating and developing data platform products. During the Reporting Period, we recruited a team that had been engaged in the data platform business for many years, and established a data platform division to strengthen the capabilities in the construction and operation of the underlying data platform. The team has made significant progress in product development and customer development within a short period of time. It has successively launched a series of data platform products, such as data asset management platform, data warehouse/data mart, and data management and integration development suite, which have been applied in seed users. It expands our product offering for further growth in the future.

3. *Talent Training: Putting in more efforts on talent introduction and equity incentives to build solid talent barriers*

We always recognize talents as the first core competitiveness. During the Reporting Period, our Company accelerated the expansion and training of a high-quality, professional talent team, and the number of experts and high-level technicians increased significantly, which created strong talent barriers. The strong talent team provides a comprehensive support for our Company's market expansion, product development and service capabilities. Through an open and enlightened talent introduction strategy, our Company attracted high-level talents in the industry and increased the proportion of technicians. Our total number of employees increased by approximately 38% in 2021, with the number of core employees and technicians increased by approximately 20% and 75% respectively.

In 2020, we adopted a share option scheme and a share award scheme to motivate high-performing employees and those in key positions, and to effectively retain key talents to ensure their long-term high performance and lead and guide other employees, aiming to create a good ecosystem of incentives and establish a highly stable team. At the same time, our share option scheme and share award scheme have a wide coverage to allow more grass-roots employees to participate in the process of organisational development, which increase the long-term engagement between employees and the organisation, and develop a multi-level community of destiny, career and interests.

4. *Marketing: Increasing brand influence which boosts our Company's business development*

A continuous increase in the reputation and influence of our Company's brand is very important to the success of our business, especially in the financial industry that we serve. Well-known and reputable suppliers are more likely to win the favour of customers. To stand out from the fierce competition, we must put in more efforts on marketing and brand building in order to make the brand as our important moat.

We enhance brand exposure and market our products and solutions through online and offline integrated marketing campaign. On one hand, we have gained more exposure opportunities by strengthening communication and interaction with the media. Our views have appeared in reports of official media for multiple times, such as Financial News, China Banking and Insurance News, Securities Daily and China.com.cn, which enhanced our market influence and brand reputation. On the other hand, by hosting or participating in online and offline market activities, we are able to reach target customers more accurately, and demonstrated our technical strength and leading position in big data and AI, and enhanced customers' awareness and trust in us.

In September 2021, an internationally-renowned research firm IDC released a report about market shares of IT solutions in the Chinese banking industry for 2020. We came second in terms of market share among the first-class players in the customer resource management solutions market. As defined by IDC, intelligent marketing is part of the customer resource management solutions market. In the report, IDC believes that "the Company is among the first-class players as it has been focusing on the intelligent marketing of the banking industry for many years and accumulates a complete set of sophisticated intelligent marketing systems and related data platform and data analysis services, with marketing and customer operations as application scenarios".

Management Discussion and Analysis

During the Reporting Period, our Company won more than 20 honours and awards, which further enhance our reputation and influence. The honours and awards include the Chinese Best Data Analysis Technology Award (Marketing) from The Asian Banker Magazine, China's Top 10 Fintech Innovations from The Banker Magazine, IDC China FinTech Top 50, CCID Consulting Top 50 Chinese Pioneer Enterprises in Digital Transformation of Finance, and EqualOcean Intelligence Top 35 Financial IT Service Providers in China (Listed Companies).

List of honours and awards in 2021

Month	Name of awards	Organiser
January	Best Small-and Mid-cap Stocks	Zhitongcaijing.com
January	Intelligent Marketing Analysis Technology Award	Retail Banking Magazine
April	Excellent Partner Organisation	Bank of Dongguan
June	China's Leading Brand in Fintech and Artificial Intelligence in 2021	Organizing committee of the Chinese International Financial and Technology Summit in 2021
June	Excellent Solution for Industrial Digitisation in 2021	Big Data and S&T Communication Professional Committee under the Chinese Society for Science and Technology Journalism
July	Technology Innovation Application Golden Award	China Financial Certification Authority (CFCA), Cebnet.com.cn
July	Chinese Best Data Analysis Technology Award (Marketing)	The Asian Banker Magazine
July	Leading Enterprise in Data Intelligence in China's Financial Industry in 2021	Organizing committee of the China Finance Summit
July	Chinese Fintech Influencers in 2021	Organizing committee of the China Finance Summit
August	Financial and Artificial Intelligence Engineering Technology Research Centre in Guangdong Province	Department of Science and Technology of Guangdong Province
September	IDC China FinTech Top 50 in 2021	IDC China
September	China's Top 10 Fintech Innovations in 2021	The Banker Magazine
November	Top 50 Chinese Pioneer Enterprises in Digital Transformation of Finance in 2021	CCID Consulting
November	Top 35 Financial IT Service Providers in China (Listed Companies)	EqualOcean Intelligence
December	Top 100 High-Growth Enterprises in Shenzhen in 2021	Shenzhen Enterprise Evaluation Association
December	2021 Marketing Technology Leading Enterprise	China Internet Weekly of the Chinese Academy of Sciences

Management Discussion and Analysis

OUTLOOK FOR 2022

With regard to the outlook on China's overall business environment in 2022, from a macro point of view, 2022 will be a critical period for the full implementation of the 14th Five-Year Plan. In 2022, China's economic development will be guided by the general principle of "prioritising stability while pursuing progress", and its Gross Domestic Product is poised to increase by approximately 5.5%. New infrastructure and new industries will continuously drive the growth in China economy. From the perspective of the industry we are in, digitalisation, intelligentisation and localisation have become three major growth drivers in the IT field. From the perspective of our customers, financial condition and profitability of financial institutions continue to improve and will put greater emphasis on digital transformation and increase investment in fintech, which will provide us with more room for development.

The intensive release of a series of policies at the beginning of 2022 provide policy-based and system-based guarantees for the development of this year and the next few years. The State Council announced a plan to facilitate the development of the digital economy in the 14th Five-Year Plan period in January 2022, which proposed to take data as the key element and focus on the deep integration of digital technology and the real economy to strengthen the construction of digital infrastructure, perfect the digital economy governance system, and push forward with both digital industrialisation and industrial digitisation, so as to develop and enhance China's digital economy and provide strong support to achieve digitalisation in China. The added value of the core industries in the digital economy will account for 10% of GDP by 2025. At the same time, the People's Bank of China released its Fintech Development Plan for 2022 to 2025, emphasising the need to promote high-quality digital transformation of finance and improve the modern financial system that adapts to the development of the digital economy. China, which adheres to the principle of digitally-driven development and bases on strengthening the application of financial data elements, will focus on accelerating the digital transformation of financial institutions and strengthening the prudential regulation on fintech to inject data elements into the whole process of financial services and integrate digital ideas throughout the entire chain of business operations. Emphasis will be put on technology-driven and data-empowered financial innovation. The fintech sector will move from 'building pillars and beams' to 'building momentum' on the basis of 'accumulation'. China will strive to bring about a great leap forward in the overall level and core competence of its financial technology by 2025.

We will focus on three strategies to create unique competitive advantages in 2022: Firstly, we will focus on the data track of the financial sector, and we will deepen our cooperation with leading financial institutions, aiming to become the top brand of data intelligence and marketing technology in the financial industry. Secondly, we will build a talent team which focuses on selecting, training and retaining talents in the data field, with a view to establish an all-round compound talent structure, with an aim to create the effect of agglomeration and gain a long-term advantage. Thirdly, we will build industry barriers by putting in more efforts to establish an end-to-end technology and service system covering from data platform, data analysis, data application to data operation, with a view to create unique industry barriers.

In order to achieve the above strategic planning objectives, we will develop the four growth engines including market expansion, technology R&D, ecological cooperation, and investment and M&As, in order to drive rapid growth and create all-round competitiveness.

Management Discussion and Analysis

For market expansion, we will keep an eye on top financial customers and broaden small and medium-sized financial markets. We can vertically and horizontally deepen our cooperation with leading financial institutions, and move from retail banking business to wealth management, private banking, corporate business, small and micro enterprises and other business areas. For small and medium-sized financial institutions, we will replicate successful cases to quickly cover more customers. In the meantime, we will enhance our cooperation with partners including CCB Fintech, Ping An OneConnect and China UnionPay Data Services, so that more small and medium-sized financial institutions will be empowered to realise digital transformation and business innovation.

As far as technology R&D is concerned, we will seize the opportunities of digital transformation and information technology application innovation, continuously increase investment in technology, improve R&D and innovation capabilities, promote the standardisation of products and delivery, and optimise the product portfolio as well as promotion and application, with a view to maintain the leading position in the industry and form competition barriers.

In terms of ecological cooperation, we will strengthen cooperation with technology giants and large fintech companies, and actively build an ecosystem with upstream and downstream partners, so as to build capability in integrated solutions, optimise customer experience, and enhance market competitiveness.

In terms of investment and M&As, we will accelerate the integration of teams or companies with synergies in business, technology, customers, etc., and promote the development of the businesses as a whole through investment and M&As.

We will continue to focus on the data sector in the financial industry, and with the advantage of our finance + data technology talent pool and end-to-end technology service system, we will strive to formulate a unique industry standard with a view to become a leading enterprise in intelligence and marketing technology in the financial industry.

FINANCIAL REVIEW

1 Revenue

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue		
– Data solutions	**257,741**	196,924
– Sales of hardware and software and related services as an integrated service	**92,783**	97,201
– Information technology (IT) maintenance and support services	**46,848**	36,165
	397,372	330,290

For the Reporting Period, we recorded revenue of approximately RMB397,372,000, representing an increase of approximately 20.3% or approximately RMB67,082,000 as compared with 2020. The increase in revenue was mainly due to (i) a substantial increase of approximately 89.9% or RMB50,236,000 in revenue from our business in Northern China resulting from rapid development of our Group's business in this area; (ii) the steady growth of our Group's business in Southern China, with an increase of approximately 15.3% or approximately RMB31,727,000 in the relevant revenue as compared with 2020.

This includes:

Revenue from the data solutions business was approximately RMB257,741,000, representing an increase of approximately 30.9% or approximately RMB60,817,000 as compared with 2020. The increase was mainly due to the continuous steady growth in orders from our Group's financial banking customers during the Reporting Period.

Revenue from sales of hardware and software and related services as an integrated service was approximately RMB92,783,000, basically flat with that of 2020.

Revenue from IT maintenance and support services was approximately RMB46,848,000, representing an increase of approximately 29.5% or approximately RMB10,683,000 as compared with 2020. The increase was mainly due to the continuous steady growth in orders from our Group's financial banking customers.

2 Gross profit and gross profit margin

For the Reporting Period, we recorded a gross profit of approximately RMB129,196,000, representing an increase of approximately 9.9% as compared with 2020. This was mainly due to the steady growth of our business. Gross profit margin for the Reporting Period was approximately 32.5%, representing a decrease of approximately 3.1% as compared with 2020. The decrease in gross profit margin was mainly due to the fact that for orders from our Group's certain newly acquired customers, the testing, delivery and training of data systems were prolonged as a result of containment measures of the pandemic and our operating costs increased accordingly.

3 Selling expenses

For the Reporting Period, we recorded selling expenses of approximately RMB36,092,000, representing an increase of approximately 45.5% or approximately RMB11,294,000 as compared with 2020. Selling expenses accounted for approximately 9.1% of our revenue for the Reporting Period (2020: approximately 7.5%). The increase in selling expenses was mainly due to our Group's enhancement of marketing capabilities and brand promotion, especially: (i) an increase of approximately 55.4% or approximately RMB7,929,000 in sales and pre-sales staff costs as compared with 2020; (ii) an increase of approximately 21.7% or approximately RMB1,724,000 in brand promotion expenses as compared with 2020.

4 R&D expenses

For the Reporting Period, we recorded R&D expenses of approximately RMB61,462,000, representing an increase of approximately 45.8% or approximately RMB19,310,000 as compared with 2020. Such expenses accounted for approximately 15.5% of our revenue (2020: approximately 12.8%). The increase in R&D expenses was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately 69.1% or approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020.

5 Administrative expenses

For the Reporting Period, we recorded administrative expenses of approximately RMB90,932,000, representing an increase of approximately 61.6% or approximately RMB34,653,000 as compared with 2020. The increase in administrative expenses was mainly because: (i) consulting service fees soared by approximately 100.8% or approximately RMB8,118,000 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to application for trading resumption; (ii) our office leasing area across the country increased from 2,470㎡ during 2020 to 7,360㎡ during the Reporting Period, with the office area nearly tripling in size, resulting in approximately 36.9% or approximately RMB5,473,000 increase in office rentals as compared with 2020; (iii) the administrative staff cost increased by approximately 45.2% or approximately RMB12,247,000 as compared with 2020; and (iv) the expenses related to share based payments of approximately RMB5,772,000 arising from grant of share options and awarded shares during 2021.

6 Income tax credit

For the Reporting Period, we recorded income tax credit of approximately RMB3,501,000 (2020: income tax expenses of approximately RMB806,000). Such change was mainly due to the loss before income tax for the Reporting Period, excluding the effect of non-deductible expenses, included but not limited to share-based compensation and expected credit losses on financial and contract assets.

7 Net loss for the year

Net loss for the Reporting Period amounted to approximately RMB75,987,000 (2020: net loss of RMB12,712,000). The increase in net loss was mainly due to:

1. an increase of RMB11,294,000 in the selling expenses as compared with 2020 for our Group to expand new markets and acquire new customer, especially: (i) a growth of approximately RMB7,929,000 in the marketing staff costs for sales and pre-sales staff; and (ii) a rise approximately RMB1,724,000 in brand promotion expenses;

2. a rise in operating cost caused by the prolonged testing, delivery and training of data systems for orders from certain newly acquired customers due to the implementation of containment measures of the pandemic;

3. an increase in administrative expenses and staff costs due to our Group's business expansion in Southern China, Northern China and Eastern China, which resulted in, among others: (i) an increase of approximately RMB12,247,000 in the administrative staff cost as compared with 2020; and (ii) approximately RMB5,473,000 increase in office rentals as compared to 2020 due to the increase in our office leasing areas;

4. a growth in consulting service fees of approximately RMB8,118,000 as compared with 2020 due to one-time expenses including fees paid to consultants and attorneys incurred in relation to the application for trading resumption;

5. an increase of approximately RMB19,310,000 in the R&D expenses as compared with 2020 which was mainly due to our Group's continuous recruitment of sophisticated and skillful R&D technicians to expand our R&D team during the Reporting Period with the number of R&D technicians increased from 145 in 2020 to 204 during the Reporting Period, resulting in an increase of approximately RMB18,446,000 in the staff cost of the R&D team as compared with that of 2020; and

6. the expected credit losses on financial and contract assets of RMB23,884,000.

8 Loss for the year attributable to owners of our Company

The loss for the Reporting Period attributable to owners of our Company was approximately RMB76,238,000 (2020: loss of approximately RMB13,108,000). Such change was mainly due to the increase in the net loss during the Reporting Period as mentioned above.

9 Loss per Share

Basic and diluted loss per share of our Company (the "**Share**") for the Reporting Period amounted to approximately RMB19.0 cents. Basic and diluted loss per Share for 2020 amounted to approximately RMB3.3 cents.

10 Liquidity and financial resources

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash outflows from operating activities	**(12,039)**	(89,592)
Net cash outflows from investing activities	**(50,033)**	(19,736)
Net cash inflows from financing activities	**10,154**	6,010

Besides the proceeds from Share Offer (as defined below), our working capital is primarily derived from internal resources and bank borrowings.

The balance of our Group's cash and cash equivalents as at 31 December 2021 was approximately RMB21,955,000, representing a decrease of approximately RMB52,229,000 as compared with cash and cash equivalents as at 31 December 2020.

A Operating activities

The net cash used in operating activities by our Group for the Reporting Period was approximately RMB12,039,000, which was decreased by approximately 86.6% from net cash used in operating activities of approximately RMB89,592,000 in 2020, which was mainly due to the slowing down of our Group's operating outflow as a result of the decrease in the growth of receivables and contract assets as well as the increase in payables.

B Investing activities

The net cash used in investing activities by our Group for the Reporting Period was approximately RMB50,033,000, which was mainly due to the purchase of equipment, intangible assets and other long-lived assets.

C Financing activities

The net cash generated from financing activities of our Group for the Reporting Period was approximately RMB10,154,000, which was mainly derived from advances of substantial shareholders of our Company.

11 Capital structure

Bank and other borrowings

As at 31 December 2021, we had short-term bank borrowings of approximately RMB49,691,000 and long-term bank borrowings of approximately RMB617,000.

Debt securities

As at 31 December 2021, our Group had no debt securities.

Contingent liabilities

As at 31 December 2021, our Group had no major contingent liabilities or guarantees.

Treasury policy

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

Gearing ratio

The gearing ratio as at 31 December 2021 was approximately 67.8% (2020: 40.5%). The increase in gearing ratio was mainly due to a increase of approximately RMB17,205,000 in bank and other borrowings during the Reporting Period.

Gearing ratio was calculated based on the aggregate sum of our total bank and other borrowings, amount due to a substantial shareholder and amount due to a Director divided by our total equity as at the end of the Reporting Period.

12 Pledge of assets

As at 31 December 2021, our Group's banking borrowings were secured and/or guaranteed by:

(i) corporate guarantee from independent third parties of RMB11,550,000 (31 December 2020: RMB30,000,000);

(ii) building of our Group of approximately RMB10,852,000 (31 December 2020: RMB11,576,000);

(iii) pledged bank deposits of approximately RMB221,000 held at bank (31 December 2020: RMB5,359,000);

(iv) trade receivables of approximately RMB3,131,000 owned to our Group by certain customers (31 December 2020: RMB13,338,000);

(v) other deposits of RMB500,000 (31 December 2020: RMB1,000,000); and

(vi) personal guarantees from Directors and their spouses.

13 Capital Commitments

As at 31 December 2021, our Group had no capital commitments.

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

There were no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

15 Foreign exchange risk

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

16 Future plans for material investments or capital assets

As disclosed in the section headed "Use of Net Proceeds from Share Offer" below, our Group intends to use the unutilised Net Proceeds (as defined below) of HK$3.5 million as at 31 December 2021 for the development of AI in finance laboratories, display centre and office facilities on or before 31 December 2022. Save as disclosed, our Group currently has no other 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 our Company are set out as follows:

Executive Directors

Mr. Chen Zhenping (陳楨平), aged 45, is our executive Director. He was appointed as our executive Director on 1 March 2022. He is responsible for the overall formulation of business strategy of our Group. He is also a member of the Nomination Committee of our Company. He received his bachelor's degree in engineering from Shandong Building Materials Technical Institute* (山東建築材料工業學院) (the predecessor of the University of Jinan* (濟南大學)) in the PRC in July 2000.

Mr. Chen has been engaging in new energy and technology investment for a long time while got depth understanding of the relevant fields as well. He has accumulated extensive investment experience in his field. Prior to joining our Group, he served as the vice president of the Southern China district of the metal and new material business unit of Amer International Group Limited (正威國際集團有限公司) from May 2008 to October 2019, where he participated in formulating the company's development plan, operating strategy and organizing the implementation to promote the achievement of company goals.

Dr. Wu Fu-Shea (吳輔世), aged 63, has been appointed as our chief executive officer since 26 March 2020 and as our executive Director since 10 September 2021. He is responsible for the management of business and operation of our Group. He holds a Master of Business Administration degree of Tulane University, the United States and a Ph.D. degree in management from Nankai University. From 10 September 2019 to 12 December 2019, Dr. Wu served as the chief advisor of Shenzhen Suoxinda Data Technology Co., Ltd* (深圳索信達數據技術有限公司) ("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, Dr. Wu served as the head of the Greater China region for three globally leading scientific and technological companies in this professional field, and has profound insights into the development of big data and AI in the Chinese market. Before joining our Group in September 2019, Dr. 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. Wu Xiaohua (吳曉華), aged 48, is our executive Director. He has also been the chief executive officer of our Company until 26 March 2020. He is responsible for the management of business and operation 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 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.

Directors, Senior Management and Company Secretary

Non-executive Directors

Mr. Song Hongtao (宋洪濤), aged 44, is the Chairman of our Board and non-executive Director. He has been re-designated from our executive Director to our non-executive Director on 28 March 2022. He is responsible for formulating the business strategy of our Group and leading the Board to achieve goals 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, the general manager and a director of our Group in December 2015, and the Chairman of the Board and an executive Director in December 2018. 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.

Mr. Song has over 15 years of experience in the information technology service industry. In particular, Mr. Song has 8 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.

Dr. Mo Keqi (莫克齊), aged 50, is our non-executive Director. He was appointed as our executive Director on 1 March 2022 and re-redesignated as our non-executive Director on 28 March 2022. He is responsible for supervising the overall risk management of our Group. He is also a member of the Audit Committee of our Company. He received his executive master's degree of business administration from Tsinghua University (清華大學) in the PRC and his doctorate degree in management from The Hong Kong Polytechnic University in January 2011 and October 2014, respectively. He was certified as a senior international finance manager by International Financial Management Association in June 2010. Dr. Mo got qualified of the independent director from the Shanghai Stock Exchange in April 2013.

Dr. Mo has more than 10 years experience in business management, risk management and corporate compliance. Prior to joining the Group, he served in various positions at the group companies of China Southern Airlines Company Limited (中國南方航空集團公司) from July 1993 to October 2015. He was the deputy general manager of China Southern Airlines Group Finance Co., Ltd. (中國南航集團財務有限公司) from August 2006 to May 2011 and later the chairman of the labour union committee from September 2008 to March 2014. He was then appointed as the head of legal division of China Southern Airlines Company Limited (中國南方航空集團公司) from April 2014 to October 2015. Dr. Mo has been the director in charge of the development strategies and overseas business of Fully Rise Technology Development Limited (富昇科技發展有限公司) since November 2016.

Mr. Jiang Senlin (姜森林), aged 50, was appointed as our non-executive Director on 28 March 2022. He is responsible for assisting in the financial management of our Group. He is also a member of the Renumeration Committee of our Company. He qualified as an accountant in the PRC in May 1998 and as an intermediate financial officer conferred by the Ministry of Personnel of the People's Republic of China in November 1997. Mr. Jiang completed his research program in art and culture* (文藝學) at Sichuan University in July 2000 and obtained his bachelor's degree in economics majoring in accountancy at Central Institute of Finance* (中央財政金融學院) (now known as Central University of Finance and Economics (中央財經大學)) in June 1993.

Mr. Jiang has served as the Vice-President and Chief Financial Officer in Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) since January 2018, an independent non-executive director of China Ruifeng Renewable Energy Holdings Limited (stock code: 527) since 31 January 2019 and an executive director of Enviro Energy International Holdings Limited (stock code: 1102) since 28 June 2019. Mr. Jiang worked in Beijing Renge Technology Corp. Ltd (北京仁歌科技股份有限公司) (NEEQ Code: 837824, voluntarily delisted in December 2018) as the vice general manager and chief financial officer from September 2015 to December 2017. He also worked as the chief financial officer (Asia) in Morningstar, Inc. (NASDAQ: MORN) from August 2009 to September 2015.

Independent Non-executive Directors

Mr. Tu Xinchun (涂新春), aged 44, 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 (i) 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; (ii) 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; (iii) Ruihua Certified Public Accountants* (瑞華會計師事務所) as a partner from June 2010 to June 2020; and (iv) Dahua Certified Public Accountants* (大華會計師事務所) as a partner since July 2020.

Ms. Fan Wenxian (范文鮮), aged 46, was appointed as our independent non-executive Director on 1 March 2022. She is responsible for overseeing the management of our Group independently. She is also the chairman of the Nomination Committee of our Company.

Ms. Fan graduated with a bachelor's degree in Economics from Shenzhen University (深圳大學) and a master's degree in Engineering from Wuhan University of Technology (武漢理工大學) in the PRC in June 1998 and December 2004, respectively. Ms. Fan obtained a mid-level qualification certificate of speciality and technology (中級專業技術資格證書) in economics – highway transportation (經濟 – 公路運輸) conferred by Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) and the first level corporate human resources professional (一級企業人力資源管理師) qualification issued by Ministry of Human Resources and Social Security Occupational Skill Testing Authority (人力資源和社會保障部職業技能鑒定中心) in the PRC in November 2005 and in March 2011, respectively. She obtained independent director qualification from the Shenzhen Stock Exchange in February 2021.

Directors, Senior Management and Company Secretary

Since 2006, Ms. Fan has over 16 years of management experience in building corporate structure and corporate governance, strategic planning, finance, human resources and quality system development, and risk control. Prior to joining our Group, Ms. Fan worked at several technology companies as the administrative director, human resources director, deputy general manager and general manager from July 2007 to December 2015. Ms. Fan is the founder of Shenzhen Yilutong Technology Ltd.* (深圳市壹路通科技有限公司), Universe Travel Culture & Technology (Shenzhen) Ltd.* (天下行文化科技（深圳）有限公司), Pony Limousine Service Limited (小馬跨境轎車服務有限公司) and Pony Group Inc.. She has been served as the chairman of Shenzhen Yilutong Technology Ltd. since December 2015, the chairman of Universe Travel Culture & Technology (Shenzhen) Ltd. since February 2019, the sole director and the chief executive officer of Pony Limousine Service Limited since April 2016 and the chairman of Pony Group Inc., since January 2019, respectively. Since January 2021, she has been an off-campus tutor of the master of international business at the College of Economics of Shenzhen University* (深圳大學經濟學院) and since December 2021, she has been the co-adviser of the research direction of big data and economic and social applications at the center for postdoctoral studies in theoretical economics of Shenzhen University* (深圳大學理論經濟學博士後流動站).

Dr. Chen Wei (陳薇), aged 40, was appointed as our independent non-executive Director on 28 March 2022. She is responsible for overseeing the management of our Group independently. She is also the Chairman of the Renumeration Committee of our Company and a member of the Audit Committee and Nomination Committee of our Company.

Dr. Chen holds a bachelor's degree in economics from Beijing University of Aeronautics and Astronautics (北京航空航天大學), a master of science degree in money, banking and finance from University of Birmingham and a PhD in economics from University of Birmingham. Dr. Chen obtained the Chartered Financial Analyst qualification from the Chartered Financial Analyst Institute in September 2013. She has been a part-time professor of Hebei Finance University (河北金融學院) since January 2020 and a doctoral advisor of the Business School of Guangxi University (廣西大學商學院) since November 2020.

Dr. Chen has extensive experience in the finance industry. Prior to joining our Group, from 2007 to 2021, she had served as an account manager assistant at the commercial banking division of HSBC plc, a postdoctoral researcher at Guosen Securities Co.,Ltd. (國信證券股份有限公司), a senior manager at the investment banking division, and later a director of business development division of Guosen Securities (HK) Financial Holdings Company Limited (國信證券（香港）金融控股有限公司), an assistant vice president at the China market division of BNP Paribas Wealth Management, Hong Kong Branch, and an executive general manager of the financial institution division of Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券（香港）金融控股有限公司). Since October 2021, Dr. Chen has served as the chief investment officer of Coast International Asset Management Limited (沿海國際資產管理有限公司).

She was previously an executive director of Heritage International Holdings Limited (漢基控股有限公司*) (now known as China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)) (stock code: 412) from October 2013 to October 2014 and an executive director of China Jinhai International Group Limited (中國金海國際集團有限公司*) (now known as Central Wealth Group Holdings Limited (中達集團控股有限公司)) (stock code:139) from December 2014 to August 2015.

SENIOR MANAGEMENT

Mr. Cao Xinjian (曹新建), aged 44, 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 15 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.

Mr. Song Aihua (宋愛華), aged 43, is the vice president and general manager of northern China and southwest China team of our Group and he joined our Group on 11 November 2019. He graduated from Jilin University* (吉林大學) in July 2000 with a bachelor's degree in automation technology.

He has over 20 years of working experience in the financial technology industry. Prior to joining our Group, he worked as (i) a software engineer in the unix department of Changchun Changlian Software Company* (長春長聯軟件公司) of China United Group* (中聯集團) from July 2000 to May 2001; (ii) a senior software engineer in the financial division of Xing Tang Communication Technology Co. Ltd.* (興唐通信科技股份有限公司) of Datang Telecom Group * (大唐電信集團) from June 2001 to March 2003; (iii) a project manager in Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Ltd.* (北京天橋北大青鳥科技股份有限公司) of Beida Jade Bird Group* (北大青鳥集團) from April 2003 to December 2006; (iv) a senior software engineer in Brocade Information Industry (Shenzhen) Co., Ltd* (博科信息產業（深圳）有限公司) from January 2007 to August 2008; and (v) a project director of the finance division and the director of professional services in Northern China at Teradata Technology (Beijing) Co., Ltd.* (天睿信科技術 (北京) 有限公司) from August 2008 to October 2019.

Mr. Jiang Jingxiang (江鏡祥), aged 44, is the chief risk control officer of our Group and he joined our Group on 27 July 2020. He graduated from Shanghai University of Finance and Economics* (上海財經大學) with a bachelor's degree in economics in July 1999. He has been a member of the Chinese Institute of Certified Public Accountants since 2003, and an associate member of CPA Australia since 2011.

He has over 20 years of working experience in accounting and finance profession. Prior to joining our Group, he worked for (i) Sinopec Group Shanghai Offshore Oil Exploration and Development Company* (中國石化集團上海海洋石油勘探開發公司) from July 1999 to February 2001 as an accountant; (ii) Schneider Electric (China) Investment Company Limited Shanghai Branch* (施耐德電氣（中國）投資有限公司上海分公司) from March 2001 to April 2002 as an accountant; (iii) Jardine Matheson (Shanghai) Limited* (怡和科技（上海）有限公司) from May 2002 to August 2005 as a financial controller; (iv) Wacker Chemie Investment (China) Co., Ltd.* (瓦克化學投資（中國）有限公司) from September 2005 to October 2007 as a financial controller; (v) Veolia Transport (China) Co., Ltd.* (威立雅交通（中國）有限公司) from November 2007 to April 2010 as a finance manager; (vi) Shandong Dongying Photovoltaic Solar Energy Co., Ltd.* (山東東營光伏太陽能有限公司) from May 2010 to February 2013 as a finance director; (vii) Shanghai Haideliye Investment Co., Ltd.* (上海海德立業投資有限公司) from March 2013 to February 2017 as a finance director; and (viii) Shanghai Xingqun Power Company Limited* (上海星群電力有限公司) from March 2017 to June 2020 as the chief financial officer.

Directors, Senior Management and Company Secretary

Mr. Zhang Lei (張磊), aged 50, is the chief scientist of our Group and he joined our Group on 10 February 2020. He graduated from Shanghai Maritime College* (上海海運學院) with a master's degree in computer applications in July 1999 and further obtained a doctor of engineering from the Institute of Computing Technology, Chinese Academy of Sciences* (中國科學院) in August 2002.

He has over 25 years of working experience with respect to data analysis applications in the financial industry. Based on his expertise in data science and in-depth practical experience, he became a specially appointed professor of Big Data at Beijing University of Aeronautics and Astronautics* (北京航空航天大學) from April 2014 to April 2015 and a part-time tutor of professional degree at Huazhong University of Science and Technology* (華中科技大學) from September 2013 to August 2015.

Prior to joining our Group, he worked for (i) Teradata Information Systems (Beijing) Limited* (北京美商安迅信息系統有限公司) from July 2002 to April 2006 as a senior manager of the data warehouse business unit and head of the data mining and core technology team in China; (ii) Yum! Restaurants Consulting (Shanghai) Co., Ltd (百勝諮詢（上海）有限公司) from May 2006 to November 2006 as a development information manager in the development department; (iii) SAS Software (Beijing) Ltd.* (賽仕軟件（北京）有限公司) from December 2006 to March 2010 as a principal consultant in the professional technical services department; (iv) IBM (China) Ltd.* (國際商業機器（中國）有限公司) from April 2010 to January 2011 as a senior consulting manager in the global enterprise consulting services department; (v) SAS Software (Beijing) Ltd.* (賽仕軟件 (北京)有限公司) from February 2011 to January 2016 as chief consultant of professional technical services and head of analytics team and northern China technical team in China; (vi) Sokovel Software Systems Co., Ltd.* (索科維爾軟件系統有限公司) from January 2016 to February 2018 as chief technology officer; (vii) SAS Software (Beijing) Ltd.* (賽仕軟件（北京）有限公司) from March 2018 to January 2020 as a principal data scientist.

Mr. Jiang Shunli (蔣順利), aged 44, is the Chief Marketing Officer of the Group and he joined our Group on 11 January 2021. He graduated from Beijing Technology and Business University* (北京工商大学） with a Bachelor of Arts degree in June 2001 and graduated from Tsinghua University with a Master of Business Administration degree in January 2011.

Mr. Jiang has over 20 years of experience in brand management and marketing. Prior to joining our Group, he worked as:(i) a manager and director of the Marketing and Alliance Department at Beijing Turbolinux Software Limited*（北京拓林思軟件有限公司) from May 2003 to May 2008; (ii) a marketing manager for China at SAS Software (Beijing) Ltd.* (賽仕軟件（北京）有限公司) from June 2008 to October 2011; (iii) a senior marketing manager of Greater China at BMC Software (China) Technology Limited*（博思軟件（中國）有限公司) from October 2011 to July 2015; (iv) a marketing director of Greater China at SAS Software (Beijing) Ltd.* (賽仕軟件（北京）有限公司) from August 2015 to July 2017; (v) a vice president of marketing at Beijing IngageApp Internet Technology Limited*（北京仁科互動網絡技術有限公司) from August 2017 to February 2018; and (vi) a marketing director of Greater China at Informatica (Beijing) Information Technology Limited*（諮科和信（北京）信息技術有限公司 from April 2018 to August 2020.

Mr. Jiang is devoted to marketing innovation and evangelizes the effective new methodologies. He organized the translation and publication of two marketing books: "The Analytical Marketer: How to Transform Your Marketing Organization" and "Account-Based Marketing: How to Target and Engage the Companies That Will Grow Your Revenue".

Directors, Senior Management and Company Secretary

Ms. Wei Huijuan (魏惠娟), aged 37, 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 and a graduation certificate for completing a self-taught higher education examination* (高等教育自學考試) in marketing issued by the Hunan Province Higher Education Self-taught Examination Committee* (湖南省高等教育自學考試委員會) and Hunan University of Commerce and Industry (湖南工商大學) in Demcember 2021. 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 14 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.

Mr. Wang Jialin (王加麟), aged 37, 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 8 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 38, 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 14 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.

Company Secretary

Mr. Wong Tin Yu (黄天宇), aged 31, 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 Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in June 2016.

Mr. Wong has over 9 years of experience in the corporate secretarial field. He joined Tricor Services Limited in July 2012 and is currently a senior 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 presents the Group's annual report and audited consolidated financial statements for the year ended 31 December 2021 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The Group is a leading enterprise in the field of data intelligence and marketing technology, providing big data, AI and digital marketing solutions and professional consulting services to financial institutions and other enterprises and helping all kinds of enterprises and organizations to fully realize the value of data and accelerate their digital transformation driven by data. The core businesses of the 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.

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 13 to 25 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 five financial years is set out on page 188 of this 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 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 pages 73 to page 92 of this annual report. These discussions form part of this Directors' Report.

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.

- 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 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 of the Company dated 28 November 2019 (the "Prospectus").

SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

ASSOCIATES OF THE COMPANY

Details of the associates of the Company is set out in note 21 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 of the Company (the "Shareholder(s)") 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 Islands Companies Act Chapter 22 (Law no. 3 of 1961, as consolidated and amended) (the "Cayman Companies Laws") 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 at a general meeting, and (ii) 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 23 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 Reporting Period are set out on in the "Consolidated Statement of Changes in Equity" of this annual report and in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves amounted to approximately RMB70,140,000 under the Cayman Companies Laws.

EQUITY-LINKED AGREEMENTS

Save as disclosed in "Equity Incentive Plan" of this annual report and note 37 to the consolidated financial statements, 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.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and borrowings of the Group as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

DONATIONS

During the Reporting Period, the Group donated computers to some boarding schools in Yajiang County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, for teachers' teaching and students' studies in mountain areas.

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the 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

During the Reporting Period, 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 Reporting Period.

Directors' Report

DIRECTORS

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

Executive Directors

Mr. Chen Zhenping *(Appointed on 1 March 2022)*
Dr. Wu Fu-Shea *(Appointed on 10 September 2021)*
Mr. Wu Xiaohua
Mr. Lam Chun Hung Stanley *(Resigned on 1 March 2022)*
Ms. Wang Jing *(Resigned on 1 March 2022)*

Non-Executive Directors

Mr. Song Hongtao *(Chairman of the Board) (Redesignated from executive Director to non-executive Director on 28 March 2022)*
Dr. Mo Keqi *(Appointed as executive Director on 1 March 2022, and redesignated from executive Director to non-executive Director on 28 March 2022)*
Mr. Jiang Senlin *(Appointed on 28 March 2022)*

Independent Non-Executive Directors

Mr. Tu Xinchun
Ms. Fan Wenxian *(Appointed on 1 March 2022)*
Dr. Chen Wei *(Appointed on 28 March 2022)*
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*
Ms. Zhang Yahan *(Resigned on 28 March 2022)*

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received an annual independence confirmation from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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" of this annual report.

Directors' 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 during the Reporting Period. The Company has purchased appropriate liability insurance for its Directors and senior management members.

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for a term of three years. The terms of service contracts for Mr. Chen Zhenping, Dr. Wu Fu-Shea and Mr. Wu Xiaohua (the executive Directors) commenced on 1 March 2022, 10 September 2021 and 13 December 2019, respectively. The terms of service contracts for Mr. Song Hongtao, Dr. Mo Keqi and Mr. Jiang Senlin (the non-executive Directors) commenced on 28 March 2022. The aforesaid service contracts may be terminated 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, which is renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term of appointment, and terminable by either party giving not less than three months' prior notice in writing to the other party. The terms of the letters of appointment for Mr. Tu Xinchun, Ms. Fan Wenxian and Dr. Chen Wei commenced on 15 November 2019, 1 March 2022 and 28 March 2022, respectively.

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 service contract/letter of appointment with the Company that is not determinable within one year without 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 notes 33 and 8 to the consolidated 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 Reporting Period.

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.

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 their 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, who have been Controlling Shareholders until 24 January 2022), 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 Reporting 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 973 employees altogether in the PRC and Hong Kong as at 31 December 2021. 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 33 to the consolidated financial statements.

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. The Group does not forfeit any contributions on behalf of its employees who leave these plans prior to full vesting. Accordingly, there was no forfeited contribution available for the Group to reduce the existing level of contributions. Details of the retirement benefits provided by the Group to employees are set out in note 2.23 the consolidated financial statements. Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period.

EQUITY INCENTIVE PLAN

The share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") has been adopted by the Shareholders at the annual general meeting of the Company held on 8 June 2020. 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.

Share Option Scheme

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules.

The participants of the Share Option Scheme include any employee, consultant, supplier and/or customer who in the sole discretion of the Board has contributed or may contribute to the Group.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of ten years after 8 June 2020 to grant options to any participants as the Board may in its absolute discretion select. The maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme by the Company shall not exceed 10% of the total number of the Shares in issue on 8 June 2020, i.e. 40,000,000 Shares, (the "Share Option Scheme Mandate Limit") unless Shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) any options granted under other share option schemes of the Company will not be counted for the purpose of calculating the Share Option Scheme Mandate Limit. The Company may renew the Share Option Scheme Mandate Limit subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as renewed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Share Option Scheme Mandate Limit.

During the Reporting Period, 274,100 share options were granted to 12 option grantees who are employees of the Group on 28 December 2021. None of the option grantees is a Director, chief executive or substantial Shareholder of the Company or any of their respective associates. Further details of the grant dated 28 December 2021 are set out in the announcement of the Company dated 28 December 2021 and in note 37 to the consolidated financial statements. On 8 April 2022, 1,582,733 share options were granted to 56 option grantees who are employees of the Group. Details of the grant dated 8 April 2022 are set out in the announcement of the Company dated 8 April 2022. As at 31 December 2021 and the date of this annual report, the total number of Shares to be issued upon the exercise of the share options available for grant under the Share Option Scheme was 39,725,900 Shares and 38,143,167 Shares, representing approximately 9.74% and 9.36%, respectively, of the issued Shares of the Company as at the date of this annual report.

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised, cancelled and outstanding share options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period is limited to 1% of the Shares in issue, unless otherwise separately approved by Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The offer of a grant of share options may be accepted within 21 business days from the date of offer. Upon acceptance of the share options, the duplicate letter comprising acceptance of the option duly signed by the share option scheme grantee together with a remittance in favour of the Company of HK$0.01 or any other amount as determined by the Board by way of consideration for the grant shall be provided. Such remittance shall in no circumstances be refundable. Subject to such terms and conditions as the Board may determine, there is no minimum period for which a share option must be held before it can be exercised and no performance target must be met by a grantee before the share options can be exercised.

Subject to the terms of grant of any option, an option may be exercised by the grantee of the option at any time during the exercise period and in accordance with the vesting schedule and other terms specified in the offer. No option may be vested more than ten years after the date of the offer made. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 8 June 2020. As at 31 December 2021, the remaining life of the Share Option Scheme was approximately eight years and five months.

The exercise price shall be at a price determined by the Board at its absolute discretion and shall be not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the relevant offer date in respect of such option, which must be a trading day; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding relevant offer date in respect of such option; or (iii) the nominal value of a Share. In the event of fractional prices, the exercise price per Share shall be rounded upwards to the nearest whole cent.

Further details of the principal terms of the Share Option Scheme are set out in circular of the Company dated 28 April 2020.

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

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

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

Share Award Scheme

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

The participants of the Share Award Scheme include any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group whom the Board in its sole discretion considers may contribute or have contributed to the Group.

Subject to the terms of the Share Award Scheme, the Board shall be entitled at any time within the period of ten years after 8 June 2020 to grant restricted shares (the "Restricted Shares") to any participants as the Board may in its absolute discretion select, such Restricted Shares can be satisfied by (i) new Shares issued by the Company at par, (ii) existing Shares purchased by the trustee on the market, in either case out of cash paid by the Company by way of settlement to the trustee pursuant to the Share Award Scheme or (iii) returned shares or further shares awarded under the Share Award Scheme. The Company has appointed Trident Trust Company (HK) Limited or its wholly owned subsidiary, being SXD Talent Success Limited, as the trustee of the Share Award Scheme.

The maximum number of Restricted Shares which may be awarded under the Share Award Scheme by the Company or held by the trustee under the Share Award Scheme shall not exceed 5% of the total number of the Shares in issue on 8 June 2020, i.e. 20,000,000 Shares, (the "Share Award Scheme Limit"). Shares awarded but cancelled, lapsed and/or not yet vested are all excluded from the Share Award Scheme Limit. The Company may refresh the Share Award Scheme Limit subject to prior approval from the Board but in any event, the total number of Shares which may be awarded under the Share Award Scheme or held by the trustee under the Share Award Scheme under the limit as refreshed must not exceed 5% of the Shares in issue as at the date of approval of the refreshment of the Share Award Scheme Limit. The maximum number of Shares to be awarded to each grantee under the Share Award Scheme is limited to 1% of the issued share capital of the Company as at 8 June 2020 or at the date on which the Share Award Scheme Limit is refreshed. As at 31 December 2021, the remaining life of the Share Award Scheme was approximately eight years and five months.

The Company shall comply with the relevant Listing Rules when granting the restricted shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

Further details of the principal terms of the Share Award Scheme are set out in circular of the Company dated 28 April 2020.

During the Reporting Period, 5,972,322 Restricted Shares were granted to 420 share award grantees on 28 December 2021 of which, (i) 5,536,322 Restricted Shares were granted to 414 employees of the Group and were satisfied by the allotment and issue of new Shares to the trustee pursuant to the general mandate; and (ii) 436,000 Restricted Shares were granted to 6 connected persons of the Company and to be satisfied by the proposed allotment and issue of new Shares to the trustee pursuant to the specific mandate. An extraordinary general meeting of the Company (the "EGM") was convened and held on 16 February 2022 for independent Shareholders to consider and, if thought fit, approve, among other things, the awards of the Restricted Shares to the connected persons, the specific mandate and the transactions contemplated thereunder and all the relevant resolutions were duly passed by way of poll in the EGM. Further details of the grant dated 28 December 2021 are set out in the announcement of the Company dated 28 December 2021, the circular of the Company dated 21 January 2022, the poll result announcement dated 16 February 2022 and in note 37 to the consolidated financial statements. On 8 April 2022, 778,579 Restricted Shares were granted to 46 share award grantees where the awards of 738,579 Restricted Shares to 44 employees of the Group were satisfied by the allotment and issue of new Shares to the trustee pursuant to the general mandate and the award of 40,000 Restricted Shares to 2 connected persons of the Company were satisfied by existing Shares to be purchased by the trustee on the open market by utilising the Company's resources provided to the trustee respectively. Details of the grant dated 8 April 2022 are set out in the announcement of the Company dated 8 April 2022. As at 31 December 2021 and the date of this annual report, the total number of Shares available for grant under the Share Award Scheme was 14,027,678 Shares and 13,249,099 Shares, representing approximately 3.44% and 3.25%, respectively, of the issued Shares of the Company as at the date of this annual report.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Connected Transaction — Grant of Restricted Shares to connected persons

On 28 December 2021, the Board resolved to recommend granting of 436,000 Restricted Shares under Share Award Scheme by way of issue and allotment of new Shares under specific mandate to Ms. Wang Jing, who was a Director at the time, Mr. Zhi Lei, Mr. Luo Yi, Mr. Li Jinglan and Mr. Cao Xiaopeng, who were directors of the subsidiaries of the Company, and Ms. Mo Jiabi, who was the supervisor of the subsidiary of the Company, all of whom accordingly are regarded as connected persons of the Company.

Pursuant to the Share Award Scheme rules, the Restricted Shares shall be granted to the share award grantees for nil consideration. Based on the closing price of HK$6.33 per Share as quoted on the Stock Exchange as at the date of grant, the market value of the Restricted Shares granted to such connected persons was HK$2,759,880. Based on the average closing price of the Shares for the five consecutive trading days immediately preceding the date of grant as quoted on the Stock Exchange which is HK$6.246 per Share, the market value of the Restricted Shares granted to such connected persons was HK$2,723,256. The new Shares to be issued will be held on trust by the trustee for the share award grantees until the end of each vesting period which may differ among the share award grantees and be transferred to the share award grantees upon satisfaction of the relevant vesting conditions as may be specified by the Board at the time of making the grant of Restricted Shares.

The above transaction constituted a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, which was approved by independent Shareholders of the Company at the EGM held on 16 February 2022. Details of which were set out in the announcement, circular and poll result announcement of the Company dated 28 December 2021, 21 January 2022 and 16 February 2022 respectively.

Save as disclosed above, during the Reporting Period, the Group did not enter into any other 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 32 to the consolidated financial statements. The Directors consider that those related party transactions, other than the grant of Restricted Shares to the connected persons as disclosed above, did not constitute connected transactions or continuing connected transactions pursuant to 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 2021, 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 (the "Model Code") 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	Interest in controlled corporation[1]	136,080,000	33.84	Long position
	Beneficial owner	5,000,000	1.24	Long position
		141,080,000	35.08	
Mr. Wu Xiaohua	Interest in controlled corporation[2]	29,590,000	7.36	Long position
Dr. Wu Fu-Shea	Beneficial owner	6,000,000	1.49	Long position
Mr. Lam Chun Hung Stanley[3]	Beneficial owner	1,600,000	0.40	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 pursuant to Part XV of the SFO.

3. Mr. Lam Chun Hung Stanley resigned as an executive Director with effect from 1 March 2022.

Save as disclosed above, as at 31 December 2021, 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 2021, 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	136,080,000	33.84	Long position
Ms. Huang Liming[2]	Interest of spouse	141,080,000	35.08	Long position
Benefit Ocean Holdings Limited[3]	Beneficial owner	60,550,000	15.06	Long Position
Ms. Xia Liping[3]	Interest of controlled corporation	65,050,000	16.17	Long Position
Mr. Zhu Zhenkui[4]	Interest of spouse	65,050,000	16.17	Long Position
Ideal Treasure Holdings Limited[5]	Beneficial owner	29,590,000	7.36	Long position
Ms. Chi Xianfang[6]	Interest of spouse	29,590,000	7.36	Long position
Thousand Thrive Investments Limited[7]	Beneficial owner	23,814,000	5.92	Long position
Ms. Liu Qin[7]	Interest of controlled corporation	23,814,000	5.92	Long position
Mr. Fan Yuehua[8]	Interest of spouse	23,814,000	5.92	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 Shares, Underlying Shares and Debentures".

2. Ms. Huang Liming is the spouse of Mr. Song Hongtao. Ms. Huang Liming was therefore deemed to be interested in the 141,080,000 Shares in which Mr. Song Hongtao was interested pursuant to Part XV of the SFO.

3. The Shares held by Ms. Xia Liping consisted of (i) 60,550,000 Shares held by Benefit Ocean Holdings Limited, which was wholly owned by Ms. Xia Liping and accordinly Ms. Xia Liping was deemed to be interested in the Shares held by by Benefit Ocean Holdings Limited pursuant to Part XV of the SFO; and (ii) 4,500,000 Shares directly held by Ms. Xia Liping.

4. Mr. Zhu Zhenkui is the spouse of Ms. Xia Liping. Mr. Zhu Zhenku was therefore deemed to be interested in the 65,050,000 Shares in which Ms. Xia Liping was interested pursuant to Part XV of the SFO.

5. 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 Shares, Underlying Shares and Debentures".

6. Ms. Chi Xianfang is the spouse of Mr. Wu Xiaohua. Ms. Chi Xianfang was therefore deemed to be interested in the 29,590,000 Shares in which Mr. Wu Xiaohua was interested pursuant to Part XV of the SFO.

7. 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 who resigned on 1 March 2022), 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.

8. Mr. Fan Yuehua is the spouse of Ms. Liu Qin. Mr. Fan Yuehua was therefore deemed to be interested in the 23,814,000 Shares in which Ms. Liu Qin was interested pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2021, 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 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

Save as the grants and awards made under the Share Option Scheme and Share Award Scheme as disclosed above, 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 36.5% of the Group's total revenue, while the revenue generated from the Group's largest customer accounted for 18.0% of the Group's total revenue.

Major Suppliers

For the Reporting Period, the total purchases from the Group's top five suppliers accounted for 72.1% of the total purchases, while the purchases from the Group's largest supplier accounted for 30.6% 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) 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 13 December 2019 (the "Listing Date") by way of share offer (the "Share Offer"). The Company offered 100,000,000 Shares at an offer price of HK$1.50 per Share. According to the Company's annual report for the year ended 31 December 2019, the actual net proceeds of the Share Offer was approximately HKD104.0 million after deduction of listing expenses (the "Net Proceeds").

Set out below is the status of the use of Net Proceeds from the Share Offer:

	Allocation percentage % of Net Proceed	Allocation of the Net Proceeds (HK$ million)	Utilised Net Proceeds as at 31 December 2021 (HK$ million)	Unutilised Net Proceeds as at 31 December 2021 (HK$ million)	Proposed timetable for the use of unutilized Net Proceeds
Strengthening and expansion of our data solution offerings through continuously attracting and retaining high-quality personnel and offering attractive compensation packages to retain our employees	20%	20.8	20.8	–	N/A
Enhancement of our sales and marketing efforts including corporate branding activities (Note)	20%	20.8	18.8	2.0	On or before 31 December 2022
Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen (Note)	35%	36.4	32.9	3.5	On or before 31 December 2022
Potential strategic acquisition to supplement our organic growth (Note)	6.35%	6.6	2.1	4.5	On or before 31 December 2022
Working capital and other general corporate purposes (Note)	18.65%	19.4	19.4	–	N/A
Total	100%	104.0	94.0	10.0	

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

INTEREST OF COMPLIANCE ADVISER

The term of appointment of Essence Corporate Finance (Hong Kong) Limited ("Essence Corporate Finance") as the Company's compliance adviser ended on 21 September 2021.

As notified by Essence Corporate Finance, 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 21 September 2021.

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 Rules since the Listing Date and up to the date of this annual report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no 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 Ms. Fan Wenxian) 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 the review and the discussions with management and auditor, the Audit Committee was satisfied that the consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and fairly present the financial position and results for the Reporting Period.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 55 to 71 of this annual report.

AUDITOR

PricewaterhouseCoopers has resigned as auditor of the Company with effect from 24 June 2021. ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") has been appointed as auditor of the Company with effect from 28 June 2021 to fill the casual vacancy following the resignation of PricewaterhouseCoopers.

The consolidated financial statements of the Group for the Reporting Period have been audited by ZHONGHUI ANDA, who 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 Annual General Meeting to seek Shareholders' approval on the re-appointment of ZHONGHUI ANDA as the auditor of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2020; (ii) publishing the annual report for the year ended 31 December 2020; and (iii) announcing the interim results for the six months ended 30 June 2021. Such delay has constituted non-compliance with Rules 13.46(2)(a), 13.49(1) and 13.49(6) of the Listing Rules. The Company failed to hold its annual general meeting for the year ended 31 December 2020 within the times stipulated under the Listing Rules and the Articles of Association. The Company has announced the annual results for the financial year ended 31 December 2020 and interim results for the six months ended 30 June 2021 on 10 September 2021. The Company has published the annual report for the year ended 31 December 2020 on 20 September 2021. The annual general meeting for the year ended 31 December 2020 was held on 25 October 2021 for Shareholders to consider, among others, the adoption and receive of the audited consolidated financial statements of the Company and the reports of the directors and auditor of the Company for the year ended 31 December 2020.

Save as disclosed above, 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, 28 March 2022

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2021.

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 CG Code has been amended with effect from 1 January 2022. As this Corporate Governance Report covers the year ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code before the amendments, not the revised CG Code.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the CG Code during the Reporting Period, except for code provision C.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

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 Reporting Period.

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

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 has reviewed the contribution of the Directors in respect of performing their responsibilities and the time they devoted to the Company.

Corporate Governance Report

Board Composition

The Board of the Company was comprised of the following Directors during the Reporting Period and up to the date of this annual report:

Executive Directors

Mr. Chen Zhenping *(Appointed on 1 March 2022)*
Dr. Wu Fu-Shea *(Chief Executive Officer and appointed on 10 September 2021)*
Mr. Wu Xiaohua
Mr. Lam Chun Hung Stanley *(Resigned on 1 March 2022)*
Ms. Wang Jing *(Resigned on 1 March 2022)*

Non-Executive Directors

Mr. Song Hongtao *(Chairman of the Board)*
(Redesignated from executive Director to non-executive Director on 28 March 2022)
Dr. Mo Keqi
(Appointed as executive Director on 1 March 2022, and redesignated to non-executive Director on 28 March 2022)
Mr. Jiang Senlin *(Appointed on 28 March 2022)*

Independent Non-executive Directors

Mr. Tu Xinchun
Ms. Fan Wenxian *(Appointed on 1 March 2022)*
Dr. Chen Wei *(Appointed on 28 March 2022)*
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*
Ms. Zhang Yahan *(Resigned on 28 March 2022)*

The biographical information of the current 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.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors only without the presence of other Directors during the Reporting Period.

A summary of the attendance records of the Directors at 22 Board meetings held during the Reporting Period is set out below:

Directors	Number of Attendance/ Number of Board Meetings Eligible to Attend
Executive Directors	
Mr. Chen Zhenping *(Appointed on 1 March 2022)*	0/0
Dr. Wu Fu-Shea *(Appointed on 10 September 2021)*	10/10
Mr. Wu Xiaohua	22/22
Mr. Lam Chun Hung Stanley *(Resigned on 1 March 2022)*	22/22
Ms. Wang Jing *(Resigned on 1 March 2022)*	22/22
Non-Executive Directors	
Mr. Song Hongtao *(Redesignated from executive Director to non-executive Director on 28 March 2022)*	22/22
Dr. Mo Keqi *(Appointed as executive Director on 1 March 2022, and redesignated to non-executive Director on 28 March 2022)*	0/0
Mr. Jiang Senlin *(Appointed on 28 March 2022)*	0/0
Independent Non-Executive Directors	
Mr. Tu Xinchun	22/22
Ms. Fan Wenxian *(Appointed on 1 March 2022)*	0/0
Dr. Chen Wei *(Appointed on 28 March 2022)*	0/0
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	22/22
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	22/22

Chairman and Chief Executive Officer

As at the end of the Reporting Period, the positions of chairman and chief executive officer were held by Mr. Song Hongtao and Dr. Wu Fu-Shea respectively. 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 Reporting 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 at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received written annual confirmation from each of the independent non-executive Directors as at the end of the Reporting Period 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 as at the end of the Reporting Period are independent.

Appointment and Re-election of Directors

All Directors of the Company are appointed for a specific term. Each of the executive Directors and non-executive Directors is engaged on a service contract for a term of 3 years, which may be terminated by either party by not less than three months' written notice. Each of the independent non-executive Directors of the Company is appointed for a term of one year and renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term of appointment, 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 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.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 under the Listing Rules. Although regular monthly updates to the Board was not arranged, the Company had provided quarterly updates, including quarterly financial information and management accounts to the Board during the Reporting Period, which was considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board. Since August 2021, the Company has provided all member of the Board monthly updates of financial, compliance and operation matters to enhance the corporate governance of the Group and provide more adequate and complete information to the Board in a timely manner.

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.

For the Reporting 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 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 Reporting Period are summarized as follows:

Directors	Types of Training [Note]
Mr. Song Hongtao	A and B
Dr. Wu Fu-Shea	A and B
Mr. Wu Xiaohua	A and B
Mr. Lam Chun Hung Stanley *(Resigned on 1 March 2022)*	A and B
Ms. Wang Jing *(Resigned on 1 March 2022)*	A and B
Mr. Tu Xinchun	A and B
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	A and B
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	A and 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, the Remuneration Committee and the 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 currently consists of two independent non-executive Directors, namely Mr. Tu Xinchun and Dr. Chen Wei, and one non-executive Director, namely Dr. Mo Keqi. Mr. Tu Xinchun is the chairman of the Audit Committee. Majority of the Committee members are independent non-executive Directors.

The primary duties of the Audit Committee include ensuring that an effective financial reporting, risk management and internal control systems are in place and compliance of the Listing Rules, controlling the completeness of the Company's financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between the internal and external auditors of the Group.

During the Reporting Period, the Audit Committee held 4 meetings to review, the interim and annual financial results and reports for the year/period under review, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment and change of external auditors and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

These 4 meetings were held with the external auditors without the presence of the Executive Directors.

The attendance records of the members of the Audit Committee during the Reporting Period are as follows:

Name of Members of the Audit Committee	Number of Attendance/ Number of Meetings Eligible to Attend
Mr. Tu Xinchun	4/4
Dr. Mo Keqi (Appointed on 28 March 2022)	0/0
Dr. Chen Wei (Appointed on 28 March 2022)	0/0
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	4/4
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	4/4
Ms. Fan Wenxian *(Appointed on 1 March 2022 and resigned on 28 March 2022)*	0/0

Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive Directors, namely Dr. Chen Wei and Mr. Tu Xinchun, and one non-executive Director, namely Mr. Jiang Senlin. Dr. Chen Wei is the chairman of the Remuneration Committee. Majority of the Committee members are independent non-executive Directors.

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.

The Remuneration Committee held 2 meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

The attendance records of the members of the Remuneration Committee during the Reporting Period are as follows:

Name of Members of the Remuneration Committee	Number of Attendance/ Number of Meetings Eligible to Attend
Mr. Tu Xinchun	2/2
Mr. Jiang Senlin *(Appointed on 28 March 2022)*	0/0
Dr. Chen Wei *(Appointed on 28 March 2022)*	0/0
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	2/2
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	2/2
Ms. Fan Wenxian *(Appointed on 1 March 2022 and resigned on 28 March 2022)*	0/0

The annual remuneration of senior management of the Company (whose biographies are set out on pages 27 to 33 of this annual report) by band for the Reporting Period is set out below:

Band of remuneration (RMB)	Number of individuals
1–750,000	1
750,001–1,500,000	5
>1,500,000	2

Nomination Committee

The Nomination Committee currently consists of three members, namely Mr. Chen Zhenping, an executive Director, and Ms. Fan Wenxian and Dr. Chen Wei, two independent non-executive Directors. Ms. Fan Wenxian is the chairman of the Nomination Committee. Majority of the Committee members are independent non-executive Directors.

The primary duties of the Nomination Committee include assisting the Board in identifying suitable candidates for the Directors and making recommendations to the Board, assessing the structure and composition of the Board, preparing, making recommendations to and supervising the execution of the Board Diversity Policy of the Company, 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.

During the Reporting Period, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting and to consider the appointment of an executive Director.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Number of Attendance/ Number of Meetings Eligible to Attend
Ms. Fan Wenxian *(Appointed on 1 March 2022)*	0/0
Dr. Chen Wei *(Appointed on 28 March 2022)*	0/0
Mr. Chen Zhenping *(Appointed on 28 March 2022)*	0/0
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	1/1
Mr. Song Hongtao *(Resigned on 28 March 2022)*	1/1
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	1/1

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 date of this annual report:

Name of Directors	Gender	Age	Date of appointment as Directors
Executive Directors:			
Mr. Chen Zhenping	Male	45	1 March 2022
Dr. Wu Fu-Shea	Male	63	10 September 2021
Mr. Wu Xiaohua	Male	48	6 December 2018
Non-executive Directors:			
Mr. Song Hongtao *(Redesignated from executive Director on 28 March 2022)*	Male	44	6 December 2018
Dr. Mo Keqi *(Redesignated from executive Director on 28 March 2022)*	Male	50	1 March 2022
Mr. Jiang Senlin	Male	50	28 March 2022
Independent non-executive Directors:			
Mr. Tu Xinchun	Male	44	15 November 2019
Ms. Fan Wenxian	Female	46	1 March 2022
Dr. Chen Wei	Female	40	28 March 2022

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.

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.

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 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.

Corporate Governance Report

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 and up to the date of this annual report, 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.

During the Reporting Period, the Board has appointed an experienced, competent and professionally qualified senior management member as the head of internal audit department of the Company for the purpose of further enhancing the independence and professional level of internal audit department. The head of internal audit is a member of Chinese Institute of Certified Public Accountants and is instructed and empowered by the Board to carry out on-going monitoring of the Company's risk management and internal control system independently.

In addition, GRC Chamber Limited ("GRC"), an external internal control consultant firm, was engaged by the Company to conduct an independent internal control review (the "Internal Control Review") and to assist the management to improve the internal control systems of the Group. The Internal Control Review covers the Group's internal control systems at entity level and process level for the period from 1 January 2020 to 30 September 2021. An Internal Control Review report was issued by GRC on 27 October 2021 (the "Internal Control Review Report"). GRC identified four key internal control weaknesses and ten general internal control weaknesses or improvement recommendations in the Internal Control Review Report. The Company has already taken rectification measures to address the key internal control weaknesses. Detail of the key findings of the Internal Control Review and rectification measures are set out in the announcement of the Company dated 28 October 2021.

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:

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 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 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, with the assistance of the external internal control consultant firm examined key issues and material controls and provided its findings and recommendations for improvement to the Audit Committee.

Since August 2021, the Company has implemented an internal control improvement measure regarding an enhanced reporting procedure, which requires the Company to prepare and provide monthly updates, including management accounts and budget variance, cashflow analysis and important matters checklist, to all members of the Board. The Board believes that this will further enhance efficiency of the original reporting system in assisting the Board in receiving and assessing key financial, operational and internal control information on a timely basis and fulfilling the requirement of code provision C.1.2. in a more stringent manner.

In addition, as disclosed in the Company's announcements dated 9 September 2021 and 28 October 2021, the Board has taken the following actions to improve the Group's internal control systems and procedures in response to the recommendation of the independent board committee of the Board established on 30 March 2021 and findings in the Internal Control Review Report:

1. to optimize and improve the corporate governance mechanism under the guidance of the Board, enhance the approval procedures by providing quantitative and qualitative guidance so that a wider scope of significant matters could be reported to the Board for review. The Board has established and adopted the policy on matters reserved to the Board in September 2021, pursuant to which certain important and strategic matters and transactions are governed by using quantitative and qualitative methods and are subject to due diligence and collective approval of the Board. The revised measures set out the thresholds and requirements for matters involving company strategy, capital structure, budget/investment and financing, director and senior management appointments, and professional advisers appointments;

2. to improve and enhance the corporate governance procedures in relation to internal control, operational and financial reporting matters to the Board on an expanded and regular basis. Since August 2021, the Company has revised and implemented the policy on monthly updates, pursuant to which the management shall provide monthly updates to the Board in respect of the financial information, business operation and regulatory compliance of the Group, which include monthly management accounts, budget variance, cashflow analysis and a checklist for important matters;

3. to restructure the Company's existing internal control team to an independently operated internal control department to enhance the independence and professionalism of internal audit function, expand the terms of reference on risk control and audit functions of the internal control department, increase the frequency of regular internal control review so as to identify and take remedial measures against potential internal control issues on a timely manner and provide regular trainings for management personnel of the Group in this regard. Since September 2021, the Company has appointed an experienced, independent and professionally qualified (a member of Chinese Institute of Certified Public Accountants) management member with commensurate management authority as the head of the internal audit department of the Company and has revised and implemented the policies on internal audit to enhance the authority and responsibilities of internal audit functions, including on-going internal audit works and quarterly report to the Board; and

4. to improve the procurement policies and procedures of the Group, including but not limited to, suppliers selection, service progress monitoring, service deliverable verification, and service assessment procedures. Since September 2021, the Company has refined its policies regulating the procurement management and suppliers management, which enhanced the due diligence of the suppliers (including enterprise incorporation information, company introduction, enforcement news searches, criteria and procedure of the supplier selection and product receipt note and service delivery confirmation forms for goods and service deliverables).

Having considered the Internal Control Review Report and the remediated actions taken by the Group, in particular GRC has performed testing on the enhanced internal control processes and is of the view that the key internal control weaknesses have been remediated and the related risks have been managed to a reasonable level. The Audit Committee and the Board are of the view that the remedial and improvement measures implemented by the Company are adequate and sufficient to address the key findings of the Internal Control Review Report.

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/payable to the external auditor of the Company (ZHONGHUI ANDA CPA Limited) in respect of audit and non-audit services for the Reporting Period is set out below:

Service Category	Fee paid/ payable (HKD)
Audit services	1,850,000
Non-audit services	200,000
Total	2,050,000

COMPANY SECRETARY

Mr. Wong Tin Yu has been appointed as the Company's secretary. Mr. Wong is a senior manager of the corporate services division 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. Dr. Mo Keqi, a non-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.

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.

General Meeting and Directors' Attendance Records

During the Reporting Period, the Company held one general meeting, being the annual general meeting held on 25 October 2021. Details of individual attendance of each Director at the aforesaid general meeting are set out below:

Directors	Number of Attendance/ Number of Meetings Eligible to Attend
Executive Directors	
Mr. Chen Zhenping *(Appointed on 1 March 2022)*	0/0
Dr. Wu Fu-Shea *(Appointed on 10 September 2021)*	1/1
Mr. Wu Xiaohua	1/1
Mr. Lam Chun Hung Stanley *(Resigned on 1 March 2022)*	1/1
Ms. Wang Jing *(Resigned on 1 March 2022)*	1/1
Non-executive Directors	
Mr. Song Hongtao *(Redesignated from executive Director to non-executive Director on 28 March 2022)*	1/1
Dr. Mo Keqi *(Appointed as executive Director on 1 March 2022, and redesignated to non-executive Director on 28 March 2022)*	0/0
Mr. Jiang Senlin *(Appointed on 28 March 2022)*	0/0
Independent Non-executive Directors	
Mr. Tu Xinchun	1/1
Ms. Fan Wenxian *(Appointed on 1 March 2022)*	0/0
Dr. Chen Wei *(Appointed on 28 March 2022)*	0/0
Prof. Qiao Zhonghua *(Resigned on 1 March 2022)*	1/1
Ms. Zhang Yahan *(Resigned on 28 March 2022)*	1/1

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, 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: Room 4101, 41st Floor, Building 2, Euro-American Financial City, Cangqian Street, Yuhang District, Hangzhou City, Zhejiang Province, 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.

At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the Reporting Period, the Company has not made any changes to its Articles of Association. An up-to-date version of the 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.

ESG Governance Structure

Our Group is committed to incorporating ESG factors into our decision-making process and our daily operation. The ESG governance structure of our Group comprised the board of directors (the "**Board**") and the ESG working group (the "**ESG Working Group**").

The Board has overall responsibility for our Group's ESG governance, ESG strategy and reporting, as well as evaluating and managing our Group's ESG-related risks. The Board is also responsible for setting the ESG management approach, strategy, priorities and objectives and reviewing our Group's performance periodically against ESG-related goals and targets. The Board discusses and reviews our Group's ESG-related risks and opportunities, performance, progress, goals and targets regularly with the assistance of the ESG Working Group.

The Board is also responsible for ensuring that appropriate and effective ESG risk management and internal control systems are in place. The ESG Working Group comprises of senior management from different departments of our Group. The ESG Working Group reports to the Board periodically and assists the Board to oversight the ESG-related issues and has the responsibility for collecting and analysing ESG data, implementing our Group's ESG strategy and policies, monitoring and evaluating our Group's ESG performance, and preparing ESG reports. The ESG Working Group meets regularly to discuss and review ESG-related issues including but not limited to the ESG policies and procedures and ESG-related performance.

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" (the "**ESG Guide**") under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

Environmental, Social and Governance Report

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year ended 31 December 2021 ("**Reporting Period**", "**2021**").

Reporting Principles

The reporting principles of this ESG Report are governed by "materiality", "quantitative", "balance" and "consistency".

Materiality: The ESG Report has included the material ESG factors that are sufficiently to different stakeholders. Our Group's directors and senior management are mainly responsible for identification of key ESG factors on the basis of the feedback from the stakeholders. In order to determine the ESG factors that are relevant and material to our business with respect to sustainability, our Group is aware that the importance to understand the issues that our stakeholders concerned the most. Please refer the section headed "Stakeholder Engagement" for details of the main expectations and concerns of our key stakeholders and the corresponding management responses and the section headed "Materiality assessment" for details of the annual materiality assessment conducted by our Group to identify the key ESG issues that material and relevant to our Group's operation.

Quantitative: The data presented in this report have been examined. Summary tables of performance are shown in relevant sections. Information on the standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used for the reporting of emissions and energy consumption are mainly referred to the ESG Reporting Guide.

Balance: This ESG Report was prepared based on an objective and impartial manner to ensure that the information provided an unbiased picture of the overall ESG performance of our Group.

Consistency: The methodologies and KPIs are used and calculated in a consistent approach. If there are any changes in consistency that may affect a meaningful comparison, detail would be disclosed. There is no change in the collection and computation of data presented in this report as compared to the ESG Report for the previous reporting periods.

Review and Approval

The Board acknowledges its responsibilities for ensuring the integrity of the ESG Report and to the best of their knowledge, this report addresses all relevant material issues and fairly presents the ESG performance of our Group. The Board confirms that it has reviewed and approved the ESG 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: Room 4101, 41st Floor, Building 2, Euro-American Financial City, Cangqian Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC

Email: ir@datamargin.com

Fax: 0755–83301100

Environmental, Social and Governance Report

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.

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

Materiality Assessment

Our Group has conducted the annual materiality assessment to identify the key ESG issues that are important to our business. The objective of materiality assessment is to identify ESG issues that are material and relevant to our operation.

Identification

Reference is made to the ESG Guide to set ESG subject areas and aspects for all stakeholders' assessment. We obtain feedbacks from all stakeholders through the various communication channels.

Prioritisation

The identified ESG issues are then ranked and reviewed by the ESG Working Group in the materiality matrix based on consideration of their impact on our business financials and operations, environment, customers and community.

Verification

The findings are then reviewed by to the Board in order to confirm the material ESG issues are relevant and material to our Group for disclosure.

According to the results of the materiality assessment, the list below demonstrated the ESG issues with the level of materiality to the Group.

Materiality	ESG Issues
High materiality	Customer Privacy and Company Data Protection Intellectual Property Protection Customer Complaint Management Project Quality Management Employment practices and compliance Employee Retention Employee Health and Safety Labor Standards
Medium materiality	Staff Development and Training Business Ethics and Ethics Anti-Corruption Resource Use and Efficiency Supply Chain Management Energy Management Control emissions
Low materiality	Environmental Compliance Water Resources Management Waste Management Community Investment Climate Change Response Material Use and Packaging Environment and Natural Resources

Environmental, Social and Governance Report

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 aims 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 our 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. 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 2021
Nitrogen oxides (NO_x)	27.02 kg
Sulphur oxides (SO_x)	0.03 kg
Particulate matter (PM)	1.99 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. During the Reporting Period, the Group has set target to reduce total emission of greenhouse gases per employee over the next 3 years and total emission of greenhouse gases per employee for the year ended 31 December 2021 is set as the baseline year. We have adopted the following measures to mitigate greenhouse gas emissions: (1) posting up labels to promote electricity conservation on all types of electronic appliances, reminding employees to switch off any idle appliances and lighting, and to switch off conference equipment promptly after the end of the meeting; (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 2021**
Direct Emission (Scope 1)	
– fuel consumption of our vehicles	5.52 tonnes
Indirect Emission (Scope 2)	
– Electricity	130.63 tonnes
Indirect Emission (Scope 3)	
– Paper	27.15 tonnes
– Business air travels	653.60 tonnes
Total emission of greenhouse gases	816.90 tonnes
Total emission of greenhouse gases per employee	0.84 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. Wastes 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. During the Reporting Period, we donated computers to some boarding schools in Yajiang County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, for teachers' teaching and students' studies in mountain areas.

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 2021
Total non-hazardous wastes	6,354 kg
Non-hazardous waste discarded per employee	6.53 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 our day-to-day operations is minimal. As we are aware of our electricity, water and fuel consumption in the office environment (and from the use of our Group's vehicles), 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; (4) double-sided printing and recycling of waste paper; and (5) other measures (including the maintenance of green plants and promotion of paperless office).

Energy Consumption – We have formulated policies and procedures relating to environmental management. During the Reporting Period, the Group has set target to reduce electricity consumption per employee and fuel consumption per employee over the next 3 years and the relevant intensity performances for the year ended 31 December 2021 is set as the baseline year. We have adopted the following measures to mitigate energy consumption: (1) reminding employees to switch off idle lights and computers when they leave the office; (2) reducing the standby time of office equipment such as computers, printers, copiers, etc.and; (3) using energy-saving lamps in office premises;(4) promoting the use of natural light and minimizing idle lighting in public areas; and (5) pre-setting air conditioners to energy-saving temperatures. During the Reporting Period, the total energy consumption of our Group is as follows:

Energy Consumption	For the year ended 31 December 2021
Total energy consumption	234,217.95 kWh
Direct energy consumption	20,105.61 kWh
Indirect energy consumption	214,112.34 kWh
Total energy consumption per employee	240.72 kWh
Electricity consumption	214,112.34 kWh
Electricity consumption per employee	220.05 kWh
Fuel consumption	2,074.59 Liters
Fuel consumption per employee	2.13 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. During the Reporting Period, the Group has set target to reduce water consumption per employee over the next 3 years and the water consumption per employee for the year ended 31 December 2021 is set as the baseline year. We have adopted the following measures to mitigate water consumption: (1) promoting the use of filtered water dispensers in offices to replace plastic bottled water; and (2) promoting and encouraging our employees to conserve water.

Water Consumption	For the year ended 31 December 2021
Water consumption	1,648.07 m^3
Water consumption per employee	1.69 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.

Aspect A4: Climate Change

We recognise the importance of the identification and mitigation of significant climate-related issues, therefore, our Group is committed to managing the potential climate-related risks which may impact our business activities. Our Group has established risk management policy in identifying and mitigating different risks including climate-related risks. The Board meets regularly and discuss with the senior management to identify and evaluate climate-related risks and to formulate strategies to manage the identified risks. Since 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, the impact on the significant climate-related issues are of little significance for our operation.

Our Group has identified the material impacts on the Group's business arising from the following risks:

Physical risks

The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt our operations by damaging the power supply, and communication infrastructures, and injuring our employees during their work, leading to reduced capacity and decreased in productivity, or expose our Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, we take internal precautions to minimize effect of the extreme weather, such as checking electrical circuits regularly, closing doors and windows, reminding employees to turn off the appliance after work and pay attention to personal safety when working outdoor. At the same time, we have flexible working arrangements and precautionary measures during bad or extreme weather conditions.

Transition Risks

We anticipate that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, we acknowledge the increasing requirements of climate-related information disclosures. One of the examples is the recent update of the Stock Exchange's ESG Guide in respect to significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. Our Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, we regularly monitor existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the senior management where necessary to avoid cost increments, non-compliance fines and/or reputational risks due to delayed response.

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 resource is a solid foundation to support the development of our 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).

Environmental, Social and Governance Report

As at 31 December 2021, our Group had 973 full-time employees, the distribution of employees according to gender, age group and geographical region are as follows:

Employees	Percentage (%)
By Gender	
Male	69.4%
Female	30.6%
By Age Group	
Under 30 years old	52.0%
30–50 years old	47.5%
Over 50 years old	0.5%
By Geographical Region	
Mainland China	99.9%
Hong Kong	0.1%

During the Reporting Period, the Group's total employee turnover rate was approximately 35.8%. The table below shows the employee turnover rate by gender, age group and geographical region.

	Turnover Rate (%)
By Gender	
Male	36.6%
Female	34.0%
By Age Group	
Under 30 years old	44.0%
30–50 years old	26.8%
Over 50 years old	0.0%
By Geographical Region	
Mainland China	35.8%
Hong Kong	0.0%

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 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 achievement, 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 performance 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 market 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 data. 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 personnel 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, statutory holidays 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 voluntariness 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 and statutory holidays.

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 ethnicity, 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. During the Reporting Period, we were not aware of any material non-compliance with relevant laws and regulations that have a significant impact on our Group relating to providing a safe working environment and protecting employees from occupational hazards. 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 and easy-to-use meeting systems; (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 (6) carrying out indoor or outdoor activities regularly and organising various associations, etc.

Our Group has not recorded any work-related fatalities occurred in each of the past three years including the year of the Reporting Period. During the Reporting Period, the total number of working days lost of our Group due to work-related injuries were 16 days. Besides, there was no claims or compensation for our employees due to such incidents, and no significant violations of laws and regulations relating to employees' health and safety matters during the Reporting Period.

We have established a work injury management response team to respond to potential work injury cases in the first instance. The work injury management response team is responsible for following up medical assistance for employees' work injuries, coordinating medical insurance and social insurance reporting of work injuries, etc. In addition, we provide supplemental commercial insurance and annual body check for employees, and develop specific health checkup programs based on industry characteristics and employees' health conditions to protect employees' health and actively improve health welfare services.

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 to external training institutions or abroad to study and improve.

During the Reporting Period, the percentage of employees trained by gender and employee category and the average training hours completed per employee by gender and employee category are as follows:

Percentage of employees trained	81%
The percentage of employees trained by gender	
Male	80.5%
Female	82.2%
The percentage of employees trained by employee category	
Management	80.2%
Non-management	81.6%
Average training hours for employees	8 Hours
The average training hours completed per employee by gender and employee category	
Male	9 Hours
Female	7 Hours
The average training hours completed per employee by employee category	
Management	7 Hours
Non-management	9 Hours

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. During the Reporting Period, no incidents of child and forced labour were reported or discovered.

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 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. During the Reporting Period, all suppliers engaged by the Group has been reviewed through the said procedures.

The number of supplier breakdown by geographical region are as follows:

Mainland China	153
Hong Kong	9

Note: The number of suppliers refers to the number of enterprises that are active suppliers in the supplier database, and the geographical region refers to the place where the supplier is registered.

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 by establishing a product intellectual property management system to improve the Group's independent innovation system, and enhance employees' awareness of intellectual property protection through training and other means; (4) establishing a sound process for dealing with and handling customer complaints. During the Reporting Period, to the best of the Board's and management's knowledge, our Group was not aware of any products and service related complaints received. 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. 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.

Environmental, Social and Governance Report

Intellectual Property Protection – In order to promote our product innovation and protect various research and development results from infringement, we have established the intellectual property rights protection policies and implementation procedures in the product development process in strict accordance with the Patent Law of the People's Republic of China (中華人民共和國專利法), the Trademark Law of the People's Republic of China (中華人民共和國商標法), the Copyright Law of the People's Republic of China (中華人民共和國著作權法), the Regulations on the Protection of Computer Software (計算機軟件保護條例), Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) and other regulations and standard documents, to perform the product invention, management and protection of intellectual property rights all in all. We also strive to cultivate our staff's awareness of protection of intellectual property rights through trainings, so as to comprehensively strengthen our Company's overall capabilities of protection of intellectual property rights and pave our road for further innovation and development.

As at 31 December 2021, we have applied for and registered or obtained 79 trademarks, 50 patents and 125 computer software copyrights.

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. There were no incidents of recalls on products and services due to safety and health reasons during the Reporting Period. And KPI B6.1 is not applicable, as our core business does not involve safety and health risks.

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 violates 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 whistle-blowers 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 are new laws and regulations that may impact our business, all employees will be provided updates with training or summary training memos through email and our internal control policies and measures will be updated accordingly 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). During the Reporting Period, there was no legal case regarding corrupt practices brought against our Group or our employees.

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, our Group provided a sponsorship of HKD200,000 to support a research conducted by a professor in The Hong Kong Polytechnic University. The research is related to the use of Artificial Intelligence and big data in enhancing the level of environmental protection and sustainability for building management.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Suoxinda Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 187, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of RMB75,987,000 during the year ended 31 December 2021 and, as of that date, the Group had net current liabilities of RMB22,421,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. We have determined the matters described below to be key audit matters to be communicated in our report.

Trade receivables and contract assets

Refer to Notes 18 and 19 to the consolidated financial statements

The Group tested the amount of trade receivables and contract assets for impairment. This impairment test is significant to our audit because the balance of trade receivables and contract assets of RMB114,886,000 and RMB131,545,000 respectively as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Checking the computation of the amounts of expected credit loss allowances;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers.

We consider that the Group's impairment test for trade receivables and contract assets is supported by the available evidence.

Property and equipment, intangible assets and right-of-use assets

Refer to Notes 13, 14 and 15 to the consolidated financial statements

The Group tested the amount of property and equipment, intangible assets and right-of-use assets for impairment. This impairment test is significant to our audit because the balance of property and equipment, intangible assets and right-of-use assets of RMB51,842,000, RMB87,051,000 and RMB41,738,000 respectively as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and

– Checking input data to supporting evidence.

We consider that the Group's impairment test for property and equipment, intangible assets and right-of-use assets is supported by the available evidence.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

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 HKSAs 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

Zhonghui Anda CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268
Hong Kong, 28 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Revenue	5	**397,372**	330,290
Cost of sales		**(268,176)**	(212,698)
Gross profit		**129,196**	117,592
Selling expenses		**(36,092)**	(24,798)
Administrative expenses		**(90,932)**	(56,279)
Research and development expenses		**(61,462)**	(42,152)
Expected credit losses on financial and contract assets	18-19	**(23,884)**	(15,598)
Other income	6	**9,393**	13,247
Other gains, net	6	**282**	433
Operating loss		**(73,499)**	(7,555)
Finance income	9	**135**	513
Finance costs	9	**(8,437)**	(4,763)
Finance costs, net	9	**(8,302)**	(4,250)
Share of profits/(losses) of associates	21	**2,313**	(101)
Loss before income tax	7	**(79,488)**	(11,906)
Income tax credit/(expenses)	10	**3,501**	(806)
Loss for the year		**(75,987)**	(12,712)
Attributable to:			
Owners of the Company		**(76,238)**	(13,108)
Non-controlling interests	35	**251**	396
		(75,987)	(12,712)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Loss for the year		**(75,987)**	(12,712)
Other comprehensive loss			
Items that may be reclassified to profit:			
– Currency translation differences		**(329)**	(2,536)
Total comprehensive loss for the year, net of tax		**(76,316)**	(15,248)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(76,567)**	(15,644)
Non-controlling interests	35	**251**	396
		(76,316)	(15,248)
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (RMB cents)	11	**(19.0)**	(3.3)

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 2021

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**51,842**	53,007
Intangible assets	14	**87,051**	54,782
Right-of-use assets	15	**41,738**	52,244
Investment in associates	21	**12,652**	10,339
Prepayments	20	**–**	3,368
Deferred tax assets	27	**3,642**	1,859
		196,925	175,599
Current assets			
Trade receivables	18	**114,886**	118,065
Contract assets	19	**131,545**	100,828
Prepayments	20	**2,344**	992
Other receivables	20	**5,816**	6,714
Pledged bank deposits	22	**221**	5,359
Cash and cash equivalents	22	**21,955**	74,184
		276,767	306,142
Total assets		**473,692**	481,741
EQUITY			
Equity attributable to the owners of the Company			
Share capital	23	**3,597**	3,597
Other reserves	24	**213,569**	201,377
Accumulated losses		**(79,472)**	(639)
		137,694	204,335
Non-controlling interests		**16,476**	11,312
Total equity		**154,170**	215,647

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	29	**17,776**	31,752
Deferred tax liabilities	27	**1,941**	2,471
Other payables	26	**–**	1,574
Bank and other borrowings	28	**617**	–
		20,334	35,797
Current liabilities			
Trade payables	25	**76,902**	68,675
Accruals and other payables	26	**74,741**	51,556
Contract liabilities	19	**24,904**	1,213
Current income tax liabilities		**3,635**	8,020
Amount due to a director	32(b)	**51,220**	–
Amount due to a substantial shareholder	32(b)	**3,000**	–
Lease liabilities	29	**15,095**	13,510
Bank and other borrowings	28	**49,691**	87,323
		299,188	230,297
Total liabilities		**319,522**	266,094
Total equity and liabilities		**473,692**	481,741
Net current (liabilities)/assets		**(22,421)**	75,845
Total assets less current liabilities		**174,504**	251,444

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

The consolidated financial statements on pages 98 to 187 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Song Hongtao	**Chen Zhenping**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24)	Reserves RMB'000 (Note 24)	Retained Earnings/ (Accumulated losses) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000 (Note 35)	Total equity RMB'000
Balance at 1 January 2020	3,578	119,640	72,079	14,263	209,560	–	209,560
Comprehensive (loss)/income							
(Loss)/profit for the year	–	–	–	(13,108)	(13,108)	396	(12,712)
Other comprehensive loss							
Currency translation differences	–	–	(2,536)	–	(2,536)	–	(2,536)
Total comprehensive (loss)/income for the year	–	–	(2,536)	(13,108)	(15,644)	396	(15,248)
Transactions with owners in their capacity as owners							
Issue of shares pursuant to the acquisition of a subsidiary (Notes 23(i) and 31)	19	10,400	–	–	10,419	–	10,419
Non-controlling interests arising on business combination	–	–	–	–	–	10,916	10,916
Transfer to statutory reserve (Note 24(iii))	–	–	1,794	(1,794)	–	–	–
	19	10,400	1,794	(1,794)	10,419	10,916	21,335
Balance at 31 December 2020	3,597	130,040	71,337	(639)	204,335	11,312	215,647

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24)	Reserves RMB'000 (Note 24)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000 (Note 35)	Total equity RMB'000
Balance at 1 January 2021	3,597	130,040	71,337	(639)	204,335	11,312	215,647
Comprehensive (loss)/income							
(Loss)/profit for the year	–	–	–	(76,238)	(76,238)	251	(75,987)
Other comprehensive loss							
Currency translation differences	–	–	(329)	–	(329)	–	(329)
Total comprehensive (loss)/income for the year	–	–	(329)	(76,238)	(76,567)	251	(76,316)
Transactions with owners in their capacity as owners							
Share-based payments (Note 24(ii))	–	–	5,772	–	5,772	–	5,772
Capital contribution to subsidiary by non-controlling interests (Note 34(ii))	–	–	4,154	–	4,154	4,913	9,067
Transfer to statutory reserve (Note 24(iii))	–	–	2,595	(2,595)	–	–	–
	–	–	12,521	(2,595)	9,926	4,913	14,839
Balance at 31 December 2021	3,597	130,040	83,529	(79,472)	137,694	16,476	154,170

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 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	30	**(8,842)**	(85,981)
Income tax paid		**(3,197)**	(3,611)
Net cash used in operating activities		**(12,039)**	(89,592)
Cash flows from investing activities			
Purchase of intangible assets		**(35,643)**	(13,060)
Investment in an associate	21	**–**	(10,000)
Refund of prepayment for property		**–**	40,000
Payment for property and equipment		**(14,528)**	(36,425)
Payment for acquisition of a subsidiary, net of cash acquired	31	**–**	(1,692)
Purchase of short-term investments measured at fair value through profit or loss	17	**–**	(27,360)
Proceeds from disposal of short-term investments at fair value through profit or loss		**–**	28,288
Proceeds from disposal of property and equipment		**3**	–
Interests received	9	**135**	513
Net cash used in investing activities		**(50,033)**	(19,736)
Cash flows from financing activities			
Interests paid		**(6,163)**	(4,269)
Decrease in pledged bank deposits and other deposits		**6,838**	944
Capital contribution to a subsidiary by non-controlling interests		**9,067**	–
Repayment of lease liabilities	30	**(16,793)**	(11,138)
Advance from a director	30	**51,220**	–
Advance from a substantial shareholder	30	**3,000**	–
Repayment of other borrowings	30	**(6,438)**	(9,022)
Proceeds from bank borrowings	30	**85,528**	115,836
Repayment of bank borrowings	30	**(116,105)**	(86,341)
Net cash generated from financing activities		**10,154**	6,010
Net decrease in cash and cash equivalents		**(51,918)**	(103,318)
Cash and cash equivalents at beginning of the year		**74,184**	178,452
Effect of currency translation differences		**(311)**	(950)
Cash and cash equivalents at end of the year		**21,955**	74,184

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) Going Concern Basis

The Group incurred a loss of approximately RMB75,987,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities of approximately RMB22,421,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) Going Concern Basis (Continued)

These consolidated financial statements have been prepared on a going concern basis. The validity of which are based on the ability of the Group to maintain profitable and positive cash flow from the operation in foreseeable future. In additions, the directors consider the advances from an substantial shareholder and a director of RMB54,300,000 subsequent to the end of the reporting period will enhance the cash flow position of the Group. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

(b) Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise IFRS, IAS and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combination (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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.

The non-controlling interest is recognised in equity to the extent that the risks and rewards of ownership substantially remain with the non-controlling interest during the contract period. Where all of the risks and rewards of ownership have transferred to the Group, the non-controlling interest is not recognised.

The non-controlling interests in the subsidiary are initially measured at their acquisition-date fair value.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 functional currency of the Company is Hong Kong Dollar ("HKD") while the consolidated financial statements are presented in RMB, which the management of the Group considers that it is more beneficial for the users of the consolidated financial statements.

(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".

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

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 are 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.

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 or over the unexpired lease period of leasehold land, whichever is shorter
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

(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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(c) Research and development expenditures (Continued)

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised include the software development employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised when the asset is ready for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(d) Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. Customer relationship is carried at cost less accumulated amortisation and amortisation is calculated using the straight-line method to allocate the cost of customer relationship over 7 years.

(e) Backlog orders

Backlog orders acquired in a business combination are recognised at fair value at the acquisition date. The secured contracts have a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contracts of 2 years.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.10.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.2 Measurement (Continued)

Debt instruments (Continued)

- 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.

2.10.3 Impairment

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

- Trade receivables;
- Contract assets;
- Other receivables;
- 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 receivables, 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 Mainland China and reputable international financial institutions outside of the Mainland China (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 de-recognition 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 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If the derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

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.

2.14 Trade receivables and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and other receivables 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.10.3 for a description of the Group's impairment policy for trade and other receivables.

2.15 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.

2.16 Pledged bank deposits

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

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 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 pre-payment 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.

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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, its subsidiaries and associates 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

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.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (Continued)

(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.

2.25 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.

2.26 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.

2.27 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Leases (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Leases (Continued)

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, as follows:

Properties	3 to 5 years
Equipment	5 years

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.

2.28 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 shareholders or directors, where appropriate.

2.29 Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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 has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(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 and pledged bank deposits. 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 2021, if the market interest rates had been 50 basis points higher or lower with all other variables held constant, post-tax loss for the year would have been approximately RMB93,000 lower/higher (2020: post-tax loss for the year would have been approximately RMB307,000 lower/higher).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

Cash and cash equivalents and pledged bank deposits

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

Other receivables

For other receivables, the Group has measured its lifetime expected credit losses and 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 receivables, as well as the loss upon default in each case. The Group also takes into account forward-looking information in the impairment of the other receivables. As at 31 December 2021 and 2020, the identified impairment loss for other receivables is assessed to be minimal.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets without financing components.

To measure the expected credit losses, trade receivables have been assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Details of the loss allowance of trade receivables are included in Note 18.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses below also incorporate forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Details of the loss allowance of contract assets are included in Note 19.

As at 31 December 2021, the Group had significant concentration of credit risk in a few customers. The outstanding balances from the five largest customers, which had been included in trade receivables and contract assets, amounted to RMB53,219,000 (2020: RMB69,630,000) in aggregate, which represented approximately 22% (2020: 32%) of the total trade receivables and contract assets.

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

(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 asset.

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.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over and 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade payables	68,675	–	–	–	68,675
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	13,925	1,574	–	–	15,499
Lease liabilities and interest payments	15,792	16,389	17,555	444	50,180
Bank borrowings and other borrowings and interest payments	89,009	–	–	–	89,009
	187,401	17,963	17,555	444	223,363
As at 31 December 2021					
Trade payables	**76,902**	**–**	**–**	**–**	**76,902**
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**15,423**	**–**	**–**	**–**	**15,423**
Lease liabilities and interest payments	**16,537**	**7,779**	**11,324**	**–**	**35,640**
Bank borrowings and other borrowings and interest payments	**50,732**	**637**	**–**	**–**	**51,369**
Amount due to a director	**53,653**	**–**	**–**	**–**	**53,653**
Amount due to a substantial shareholder	**3,143**	**–**	**–**	**–**	**3,143**
	216,390	**8,416**	**11,324**	**–**	**236,130**

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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:

	2021 **RMB'000**	2020 RMB'000
Bank and other borrowings (Note 28)	**50,308**	87,323
Lease liabilities (Note 29)	**32,871**	45,262
Less: Cash and cash equivalents (Note 22)	**(21,955)**	(74,184)
Pledged bank deposits (Note 22) and other deposits (Note 20(ii))	**(721)**	(7,559)
Net debt	**60,503**	50,842
Total equity	**154,170**	215,647
Debt-to-equity ratio	**0.39**	0.24

3.3 Fair value estimation

The carrying values of cash and cash equivalents, pledged bank deposits, trade receivables, other receivables, 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 receivables

The Group follows the guidance of IFRS 9 to determine when trade receivables, contract assets and other receivables 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 macroeconomic indicators, etc. The Group also take into account forward-looking information in the impairment assessment of trade receivables, contract assets and other receivables.

(b) Current and deferred income taxes

The Company is subject to income taxes in Hong Kong and Mainland China. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Useful lives of property and equipment, right-of-use assets and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation expenses for its property and equipment, right-of-use assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of property and equipment, right-of-use assets and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation 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 useful lives and therefore depreciation and amortisation expenses in future periods.

(d) Estimated impairment of non-financial assets

The Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets, for example goodwill, property, plant and equipment, intangible assets and right-of-use assets, are impaired, which requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash generating units ("CGUs") have been determined based on higher of fair value less costs of disposal or value-in-use calculations. These calculations require the use of estimates.

(e) Business combination

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed, which include backlog orders and customer relationship, is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

5 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue		
– Data solutions	**257,741**	196,924
– Sales of hardware and software and related services as an integrated service	**92,783**	97,201
– IT maintenance and support services	**46,848**	36,165
	397,372	330,290
Timing of revenue recognition		
– At a point in time	**92,783**	97,201
– Over time	**304,589**	233,089
	397,372	330,290

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A	*	36,707
Customer B	**71,407**	*

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**392,412**	267,626
Hong Kong	**4,960**	62,664
	397,372	330,290

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

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

6 OTHER INCOME AND OTHER GAINS, NET

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income:		
Government grants (Note i)	**9,393**	13,247
Other gains, net:		
Fair value gains on financial assets at fair value through profit or loss (Note 17)	**–**	928
Loss on disposal of property and equipment (Note 30)	**(1)**	(15)
Others	**283**	(480)
	282	433

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, including but not limited to engage in research and development activities and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. Furthermore, the Group has received a one-off incentive for enterprise-establishment of approximately RMB6,000,000 from the Yuhang District, Zhejiang Province during the year ended 31 December 2020.

7 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Amortisation of intangible assets (Note 14)	**9,677**	6,304
Depreciation of property and equipment (Note 13)	**11,926**	3,189
Depreciation of right-of-use assets (Note 15)	**12,634**	3,917
Total amortisation and depreciation	**34,237**	13,410
Less: Capitalised in software development costs within intangible assets	**(6,303)**	–
	27,934	13,410
Employee benefit expenses (including directors' emoluments) (Note 8)	**243,376**	130,077
Expenses related to short-term leases	**3,523**	3,705
Auditor's remuneration	**1,701**	3,656
Expected credit losses on trade receivables (Note 18)	**19,332**	13,218
Expected credit losses on contract assets (Note 19)	**4,552**	2,380

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, bonuses, fees and allowances	**238,908**	121,181
Retirement benefit contributions (Note i)	**30,073**	13,834
Equity settled share-based payments	**5,772**	–
	274,753	135,015
Less: portion capitalised as intangible assets	**(31,377)**	(4,938)
	243,376	130,077

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

Note:

(i) As stipulated by the rules and regulations in Mainland China, the subsidiaries operating in the Mainland China contribute to state-sponsored retirement plans for its employees during the years ended 31 December 2020 and 2021. The employees contribute approximately 8% of their basic salaries, while the subsidiaries contribute approximately 13–16% 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 do not include any director for the year ended 31 December 2021 (2020: Nil). Emoluments of the director are reflected in the analysis presented in Note 33. The emoluments payable to the five highest paid individuals for the year ended 31 December 2021 (2020: five) are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, bonuses, fees and allowances	**7,763**	7,870
Retirement benefit contributions	**590**	288
	8,353	8,158

The emoluments fell within the following bands:

	2021	2020
Emolument bands		
Nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**4**	3
HKD2,000,001 to HKD2,500,000	**1**	1

9 FINANCE COSTS, NET

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Finance income		
– Interest income on bank deposits	**135**	513
Finance costs		
– Interest expense on bank and other borrowings	**(6,163)**	(4,269)
– Finance charges on lease liabilities	**(2,274)**	(494)
	(8,437)	(4,763)
Finance costs, net	**(8,302)**	(4,250)

10 INCOME TAX (CREDIT)/EXPENSES

The amount of income tax (credit)/expenses recorded in the consolidated statement of comprehensive income represents:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Current income tax		
– Hong Kong profits tax	**–**	–
– The People Republic of China ("PRC") enterprise income tax	**27**	3,789
Over-provision in prior years		
– PRC enterprise income tax	**(1,215)**	(1,329)
Deferred income tax (Note 27)	**(2,313)**	(1,654)
Income tax (credit)/expenses	**(3,501)**	806

(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 2021 (2020: 16.5%).

10 INCOME TAX (CREDIT)/EXPENSES (CONTINUED)

(ii) PRC enterprise income tax

Shenzhen Suoxinda Data Technology Co., Ltd. ("Suoxinda Shenzhen") and Suoxinda (Beijing) Data Technology Co., Ltd. ("Suoxinda Beijing") were recognised by relevant Mainland China authorities as National High and New Technological Enterprise ("NHNTE") and were entitled to a preferential enterprise income tax rate of 15% from 2020 to 2023 and from 2018 to 2021, respectively.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(79,488)**	(11,906)
Less: share of (profits)/losses of associates, net of tax	**(2,313)**	101
Loss before income tax before share of (profits)/ losses of associates	**(81,801)**	(11,805)
Tax calculated at domestic tax rates applicable to losses of the respective companies	**(15,328)**	(2,627)
Expenses not deductible for tax purposes	**7,568**	3,766
Over-provision in prior years	**(1,215)**	(1,329)
Super deduction for research and development expenses (Note i)	**(9,745)**	(4,099)
Tax losses for which no deferred tax was recognised	**15,775**	5,095
Utilisation of tax losses previously not recognised	**(556)**	–
Income tax (credit)/expenses	**(3,501)**	806

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 2020 and 2021.

11 LOSS PER SHARE

	Year ended 31 December 2021	2020
Loss attributable to owners of the Company (RMB'000)	**(76,238)**	(13,108)
Weighted average number of ordinary shares in issue and shares granted under share awards scheme for the purpose of calculating basic earnings per share (Number of shares in thousand)	**402,156**	400,082
Effect of share awards scheme	**55**	–
Effect of share options	**1**	–
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (Number of shares in thousand)	**402,212**	400,082
Basic and diluted loss per share (RMB cents)	**(19.0)**	(3.3)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares issued during the respective periods and shares granted under share award scheme on 28 December 2021.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the issue of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Diluted loss per share for the years ended 31 December 2021 and 2020 are equal to basic loss per share because the impact of the exercise of the Company's outstanding share options and shares to be issued under share awards scheme has an anti-dilutive effect on the basic loss per share amounts presented. (2020: there are no dilutive potential ordinary shares).

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year ended 31 December 2021 (2020: Nil).

13 PROPERTY AND EQUIPMENT

	Building RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2020				
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
Year ended 31 December 2020				
Opening net book amount	12,299	4,753	126	17,178
Additions	–	37,324	1,632	38,956
Acquisition of a subsidiary (Note 31)	–	68	–	68
Disposals	–	(15)	–	(15)
Depreciation	(723)	(2,152)	(314)	(3,189)
Currency translation differences	–	–	9	9
Closing net book amount	11,576	39,978	1,453	53,007
At 31 December 2020				
Cost	15,257	43,844	2,527	61,628
Accumulated depreciation	(3,681)	(3,866)	(1,074)	(8,621)
Net book amount	11,576	39,978	1,453	53,007
Year ended 31 December 2021				
Opening net book amount	**11,576**	**39,978**	**1,453**	**53,007**
Additions	**–**	**10,783**	**–**	**10,783**
Disposals	**–**	**(4)**	**–**	**(4)**
Depreciation	**(724)**	**(10,878)**	**(324)**	**(11,926)**
Currency translation differences	**–**	**–**	**(18)**	**(18)**
Closing net book amount	**10,852**	**39,879**	**1,111**	**51,842**
At 31 December 2021				
Cost	**15,257**	**54,563**	**2,502**	**72,322**
Accumulated depreciation	**(4,405)**	**(14,684)**	**(1,391)**	**(20,480)**
Net book amount	**10,852**	**39,879**	**1,111**	**51,842**

13 PROPERTY AND EQUIPMENT (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling expenses	**54**	39
Administrative expenses	**3,305**	1,705
Research and development expenses	**8,567**	1,445
	11,926	3,189

As at 31 December 2021, building of RMB10,852,000 was pledged to the Group's certain bank borrowings (2020: RMB11,576,000) (Note 28(a)).

As at 31 December 2021, equipment of RMB Nil was pledged to the Group's other borrowing (2020: RMB2,244,000) (Note 28(b)).

14 INTANGIBLE ASSETS

	Goodwill (Note iii) RMB'000	Customer relationship (Note ii) RMB'000	Backlog orders (Note i) RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2020					
Cost	73	–	–	27,469	27,542
Accumulated amortisation	–	–	–	(8,006)	(8,006)
Net book amount	73	–	–	19,463	19,536
Year ended 31 December 2020					
Opening net book amount	73	–	–	19,463	19,536
Additions	–	–	–	13,060	13,060
Acquisition of a subsidiary (Note 31)	18,525	8,017	1,948	–	28,490
Amortisation charge	–	(45)	(37)	(6,222)	(6,304)
Closing net book amount	18,598	7,972	1,911	26,301	54,782
At 31 December 2020					
Cost	18,598	8,017	1,948	40,333	68,896
Accumulated amortisation	–	(45)	(37)	(14,032)	(14,114)
Net book amount	18,598	7,972	1,911	26,301	54,782

14 INTANGIBLE ASSETS (CONTINUED)

	Goodwill (Note iii) RMB'000	Customer relationship (Note ii) RMB'000	Backlog orders (Note i) RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2021					
Opening net book amount	**18,598**	**7,972**	**1,911**	**26,301**	**54,782**
Additions	**–**	**–**	**–**	**41,946**	**41,946**
Amortisation charge	**–**	**(1,145)**	**(974)**	**(7,558)**	**(9,677)**
Closing net book amount	**18,598**	**6,827**	**937**	**60,689**	**87,051**
At 31 December 2021					
Cost	**18,598**	**8,017**	**1,948**	**82,279**	**110,842**
Accumulated amortisation	**–**	**(1,190)**	**(1,011)**	**(21,590)**	**(23,791)**
Net book amount	**18,598**	**6,827**	**937**	**60,689**	**87,051**

During the year ended 31 December 2021, the Group wrote off fully depreciated intangible assets with total cost of RMB Nil (2020: RMB196,000).

During the year ended 31 December 2021, the Group has capitalised development costs of RMB38,819,000 where the software developed is ready for use (2020: RMB5,183,000).

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

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Administrative expenses	**2,333**	332
Research and development expenses	**7,344**	5,972
	9,677	6,304

14 INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) Backlog orders

Backlog orders were acquired in the business combination (Note 31) and represent customer contracts that are outstanding at the time of acquisition, from which there is a set of expected benefits to be received and accordingly the Group has made reference to the best estimate of the expected benefits and adopted amortisation over 2 years.

(ii) Customer relationship

Customer relationships were acquired in the business combination (Note 31). The customer relationships are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based over their expected lives of the customer relationships (i.e. 7 years). It is determined with reference to the Group's best estimate of the expected contract period with the customers based on the historical renewal pattern and the industry practice.

(iii) Goodwill

In 2021, goodwill mainly arose from the acquisition of Shenzhen Macro Intelligent Data Co., Ltd ("Shenzhen YinXing"). As at 31 December 2021, goodwill has been allocated to Shenzhen YinXing for impairment assessment. Impairment assessment was carried out by the management annually or when impairment indicators exist at the end of each reporting period by comparing the recoverable amounts of Shenzhen YinXing to their carrying amounts. For the purpose of the goodwill impairment review, the recoverable amount is the higher of its fair value less costs of disposal and its value in use.

As at 31 December 2021, the recoverable amount of Shenzhen YinXing has been determined based on value-in-use calculation. It is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The key assumptions including average annual growth rate, pre-tax discount rate and terminal growth rate used in the value-in-use calculations in 2021 are as follows:

	Shenzhen Yinxing	
	2021	2020
Average annual growth rate	**13%**	16%
Pre-tax discount rate	**20%**	21%
Terminal growth rate	**3%**	3%

The average annual growth rate used is based on past performance and the management's expectations of the market development. The discount rates used are pre-tax and reflect specific risks. The terminal growth rates used are largely in line with the forecasts included in industry reports.

Notes to the Consolidated Financial Statements

15 RIGHT-OF-USE ASSETS

	Properties RMB'000	Equipment RMB'000	Total RMB'000
At 1 January 2020			
Cost	6,884	–	6,884
Accumulated depreciation	(1,233)	–	(1,233)
Net book amount	5,651	–	5,651
Year ended 31 December 2020			
Opening net book amount	5,651	–	5,651
Additions	30,176	20,334	50,510
Depreciation	(3,595)	(322)	(3,917)
Closing net book amount	32,232	20,012	52,244
At 31 December 2020			
Cost	37,060	20,334	57,394
Accumulated depreciation	(4,828)	(322)	(5,150)
Net book amount	32,232	20,012	52,244
Year ended 31 December 2021			
Opening net book amount	**32,232**	**20,012**	**52,244**
Additions	**2,128**	**–**	**2,128**
Depreciation	**(9,222)**	**(3,412)**	**(12,634)**
Closing net book amount	**25,138**	**16,600**	**41,738**
At 31 December 2021			
Cost	**39,188**	**20,334**	**59,522**
Accumulated depreciation	**(14,050)**	**(3,734)**	**(17,784)**
Net book amount	**25,138**	**16,600**	**41,738**

15 RIGHT-OF-USE ASSETS (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**9,222**	3,595
Research and development expenses	**3,412**	322
	12,634	3,917

16 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade receivables (Note 18)	**114,886**	118,065
– Other receivables (Note 20)	**5,816**	6,714
– Pledged bank deposits (Note 22)	**221**	5,359
– Cash and cash equivalents (Note 22)	**21,955**	74,184
	142,878	204,322
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
– Trade payables (Note 25)	**76,902**	68,675
– Bank and other borrowings (Note 28)	**50,308**	87,323
– Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**15,423**	15,499
	142,633	171,497

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Unlisted debt instruments		
At 1 January	**–**	–
Addition	**–**	27,360
Fair value change (Note 6)	**–**	928
Disposal	**–**	(28,288)
At 31 December	**–**	–

18 TRADE RECEIVABLES

Trade receivables analysis is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**150,230**	134,077
Less: allowance for expected credit losses	**(35,344)**	(16,012)
	114,886	118,065

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

18 TRADE RECEIVABLES (CONTINUED)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**109,131**	107,130
USD	**5,752**	10,932
HKD	**3**	3
	114,886	118,065

As at 31 December 2021, trade receivables outstanding from certain specific customers of the Group of approximately RMB3,131,000 have been pledged to certain bank borrowings of the Group (2020: RMB13,338,000) (Note 28(a)).

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(16,012)**	(2,794)
Increase in expected credit losses	**(19,332)**	(13,218)
At the end of the year	**(35,344)**	(16,012)

(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	
	2021	2020
	RMB'000	RMB'000
Up to 3 months	**84,278**	80,222
3 to 6 months	**6,898**	7,553
6 months to 1 year	**20,420**	27,798
Over 1 year	**38,634**	18,504
	150,230	134,077

18 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 assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Financial assets are written off when there is no reasonable expectation of recovery.

The allowance for expected credit losses on trade receivables as of 31 December 2020 and 2021 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	Over 6 months past due	Total
31 December 2020:					
Weighted average expected loss rate	4%	6%	12%	28%	
Gross carrying amount (in thousand)	73,770	7,043	16,107	37,157	134,077
Allowance for expected credit losses (in thousand)	3,302	432	2,005	10,273	16,012
31 December 2021:					
Weighted average expected loss rate	**7%**	**8%**	**27%**	**51%**	
Gross carrying amount (in thousand)	**55,121**	**31,211**	**14,807**	**49,091**	**150,230**
Allowance for expected credit losses (in thousand)	**3,664**	**2,451**	**4,036**	**25,193**	**35,344**

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

19 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	As at 1 January 2020 RMB'000
Contract assets	**142,002**	106,733	51,149
Less: allowance for expected credit losses	**(10,457)**	(5,905)	(3,525)
	131,545	100,828	47,624
Contract liabilities	**(24,904)**	(1,213)	(12,789)

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**(5,905)**	(3,525)
Increase in expected credit losses	**(4,552)**	(2,380)
At the end of the year	**(10,457)**	(5,905)

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

The contract assets relate to unbilled work in progress. Except for an individual customer with contract asset amounted to RMB3,051,000 (2020: RMB3,051,000) has been fully provided in view of increase in credit risk, the remaining balances substantially have the same risk characteristics as the trade receivables.

19 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

The following table shows the revenue recognised during the year ended 31 December 2020 and 2021 related to carried-forward contract liabilities:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	**1,213**	12,789

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments		
Prepaid expenses (Note i)	**2,344**	4,360
Less: portion classified as non-current assets	**–**	(3,368)
	2,344	992
Other receivables		
Utilities and other deposits (Note ii)	**4,732**	5,940
Other receivables	**1,084**	774
	5,816	6,714

Notes:

(i) Prepaid expenses included a prepayment to an independent third party of HKD Nil (2020: HKD4,800,000), equivalent to RMB Nil (2020: RMB4,042,000), for consulting services on investment decisions.

Pursuant to the service contract entered by the Company on 15 December 2019, total services fee is HKD8,000,000 and period of contract is 4 years which has commenced on 1 January 2020 and expected to end on 31 December 2023. During the year ended 31 December 2020, HKD3,200,000, equivalent to RMB2,846,000, has been recognised as professional consulting fee and included in legal and professional fee.

However, the Company entered into the agreement with the independent third party to terminate aforesaid service contract in July 2021, and the services fee for the remaining service period from 1 August 2021 to 31 December 2023, i.e. HKD4,800,000, had been refunded to the Company in August 2021.

20 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) Pledged deposit of approximately RMB500,000 (2020: RMB1,000,000) with an independent third party which are pledged for bank borrowings of RMB2,750,000 (2020: RMB7,200,000) as at 31 December 2021 (Note 28(a)).

Pledged deposits of approximately RMB Nil (2020: RMB1,200,000) with an independent third party which are pledged for other borrowings of RMB Nil (2020: RMB6,438,000) as at 31 December 2021 (Note 28(b)).

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**8,041**	6,974
HKD	**119**	4,100
	8,160	11,074

21 INVESTMENT IN ASSOCIATES

	2021	2020
	RMB'000	RMB'000
As at 1 January	**10,339**	440
Addition (Note)	**–**	10,000
Share of profits/(losses) of associates	**2,313**	(101)
As at 31 December	**12,652**	10,339

Note:

On 7 August 2020, the Group entered into a shareholder agreement with two independent third parties to invest 28.57% of the issued share capital Shenzhen Jichuang Investment Ltd. ("Shenzhen JiChuang") at a consideration of approximately RMB10,000,000, which is proportionate to the net asset value of Shenzhen JiChuang at that time. Upon completion of the transaction, the Group accounts for the equity interest in Shenzhen JiChuang as an associate.

On 7 December 2021, the Group entered into a shareholder agreement with two independent third parties to invest 30% of the issued share capital in 深圳數希科技有限公司, at a consideration of approximately RMB3,000,000. The capital was not yet injected by the Group as at 31 December 2021.

21 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates 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 Research Co., Ltd. (賽信（南京江北新區）金融科技研究院有限公司）*	Mainland China, 4 January 2019	RMB2,000,000	20.00%	Provision of data solutions
Shenzhen JiChuang 深圳極創投資企業（有限合夥）*	Mainland China, 28 May 2018	RMB35,000,000	28.57%	Investment management
深圳數希科技有限公司	Mainland China, 7 December 2021	RMB10,000,000	30.00%	Provision of data solutions

* The English names of the companies referred above represent 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 associates, and no material contingent liabilities of the associates themselves.

Shenzhen JiChuang is a material associate of the Group. Set out below is the summarised financial information of the company.

Summarised statement of financial position

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
ASSETS		
Non-current assets	**43,510**	35,000
Current assets	**5**	4
Total assets and net assets	**43,515**	35,004

21 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income

	For the year ended 31 December 2021 RMB'000	For the period from 8 August to 31 December 2020 RMB'000
Profit and total comprehensive income	**8,511**	–

Reconciliation of summarised financial information

	For the year ended 31 December 2021 RMB'000	For the period from 8 August to 31 December 2020 RMB'000
Initial recognition of the investment	**35,004**	35,004
Profit and total comprehensive income for the period	**8,511**	–
Closing net assets	**43,515**	35,004
Group's share in%	**28.57%**	28.57%
Group's share in RMB	**12,432**	10,000
Carrying amount of the investment	**12,432**	10,000

The following table shows, in aggregate, the Group's share of the amount of the individually immaterial associate that is accounted for using the equity method.

	2021 RMB'000	2020 RMB'000
As at 31 December:		
Carrying amounts of interests	**220**	339
Year ended 31 December:		
Loss and total comprehensive loss	**(119)**	(101)

22 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank	**21,883**	74,044
Cash on hand	**72**	140
Cash and cash equivalents	**21,955**	74,184
Pledged bank deposits (Note i)	**221**	5,359
Maximum exposure to credit risk	**22,104**	79,403

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**16,562**	54,084
USD	**1,360**	1,077
HKD	**4,033**	19,023
	21,955	74,184

Note:

(i) As at 31 December 2021, bank deposits of RMB221,000 (2020: RMB5,359,000) were pledged at banks to secure the Group's bank borrowings (Note 28(a)). Pledged bank deposits are denominated in RMB and deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, the Group had cash and cash equivalents and pledged bank deposits amounting to RMB16,783,000 (2020: RMB60,432,000), which are held in Mainland China. These balances are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

23 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021		2,000,000,000	17,890
Issued:			
As at 1 January 2020		400,000,000	3,578
Issue of shares pursuant to the acquisition of a subsidiary	(i)	2,150,537	19
As at 31 December 2020, 1 January 2021 and 31 December 2021		402,150,537	3,597

Notes:

(i) The Company issued and allotted 2,150,537 shares at a price of HKD5.74 per share as part of the consideration upon the completion of the acquisition of a subsidiary (Note 31).

24 OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Share-based payment reserve RMB'000 (Note ii)	Exchange reserve RMB'000	Statutory reserve RMB'000 (Note iii)	Total RMB'000
Balance at 1 January 2020	119,640	63,219	–	(51)	8,911	191,719
Other comprehensive income						
Currency translation differences	–	–	–	(2,536)	–	(2,536)
Transactions with owners in their capacity as owners						
Issue of shares pursuant to the acquisition of a subsidiary (Notes 23(i) and 31)	10,400	–	–	–	–	10,400
Transfer to statutory reserve (Note iii)	–	–	–	–	1,794	1,794
	10,400	–	–	–	1,794	12,194
Balance at 31 December 2020	130,040	63,219	–	(2,587)	10,705	201,377
Balance at 1 January 2021	**130,040**	**63,219**	**–**	**(2,587)**	**10,705**	**201,377**
Other comprehensive income						
Currency translation differences	**–**	**–**	**–**	**(329)**	**–**	**(329)**
Transactions with owners in their capacity as owners						
Share-based payments (Note ii)	**–**	**–**	**5,772**	**–**	**–**	**5,772**
Capital contribution to a subsidiary by non-controlling interests (Note 34(ii))	**–**	**4,154**	**–**	**–**	**–**	**4,154**
Transfer to statutory reserve (Note iii)	**–**	**–**	**–**	**–**	**2,595**	**2,595**
	–	**4,154**	**5,772**	**–**	**2,595**	**12,521**
Balance at 31 December 2021	**130,040**	**67,373**	**5,772**	**(2,916)**	**13,300**	**213,569**

24 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 the reorganisation and the differences between the capital contribution by non-controlling interests and the carrying amount of the non-controlling interests attributable to the reduction of Group's equity interests in subsidiaries.

(ii) The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options and awarded shares granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2.29 to the consolidated financial statements.

(iii) The balance is reserved by the subsidiaries in the Mainland China in accordance with the relevant Mainland China regulations. The Mainland China laws and regulations require companies registered in Mainland China 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. Mainland China 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.

25 TRADE PAYABLES

Trade payables analysis is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**76,902**	68,675

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
0 to 30 days	**39,399**	52,271
31 to 60 days	**8,528**	3,259
61 to 90 days	**2,690**	2,120
Over 90 days	**26,285**	11,025
	76,902	68,675

25 TRADE PAYABLES (CONTINUED)

The carrying amounts of the trade payables approximate their fair values as at 31 December 2020 and 2021. The trade payables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**70,056**	65,737
HKD	**3**	2
USD	**6,843**	2,936
	76,902	68,675

26 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Accrued salaries and wages	**38,599**	24,119
Other tax payables	**20,719**	13,512
Payables for purchase of equipment and intangible assets	**2,618**	6,363
Consideration payable for the acquisition of a subsidiary (Note 31)	**1,574**	1,574
Other payables	**11,231**	7,562
	74,741	53,130
Less: portion classified as non-current liabilities	**–**	(1,574)
	74,741	51,556

26 ACCRUALS AND OTHER PAYABLES (CONTINUED)

The carrying amounts of the accruals and other payables (excluding non-financial liabilities) approximate their fair values as at 31 December 2020 and 2021. The carrying amounts of the accruals and other payables (excluding non-financial liabilities) are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**11,171**	13,231
HKD	**4,252**	2,268
	15,423	15,499

27 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when taxes are related to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**3,642**	1,859
Deferred tax liabilities	**(1,941)**	(2,471)
	1,701	(612)

27 DEFERRED TAXATION (CONTINUED)

The net movement on the deferred income tax assets/(liabilities) of the Group is as follows:

	Decelerated tax depreciation RMB'000	Net impairment losses on financial and contract assets RMB'000	Fair value adjustment on assets and liabilities upon acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2020	226	–	–	226
Additions from acquisition of a subsidiary (Note 31)	–	–	(2,492)	(2,492)
Credited to the consolidated statement of comprehensive income (Note 10)	419	1,214	21	1,654
At 31 December 2020	645	1,214	(2,471)	(612)
At 1 January 2021	**645**	**1,214**	**(2,471)**	**(612)**
Credited to the consolidated statement of comprehensive income (Note 10)	**472**	**1,311**	**530**	**2,313**
At 31 December 2021	**1,117**	**2,525**	**(1,941)**	**1,701**

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 Mainland China at 31 December 2021 in respect of the tax losses in the amount of approximately RMB115,179,000 (2020: RMB34,234,000) due to the unpredictability of future profit streams. These tax losses will expire by 31 December 2031 (2020: 31 December 2030).

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 Mainland China when their Mainland China 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 Mainland China and the jurisdiction of the foreign immediate holding company.

27 DEFERRED TAXATION (CONTINUED)

As at 31 December 2021, deferred income tax liabilities of RMB8,092,000 (2020: RMB6,716,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in Mainland China based on the profits for the year ended 31 December 2021. 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.

28 BANK AND OTHER BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Bank borrowings (Note (a))	**617**	–
	617	–
Current		
Bank borrowings (Note (a))	**49,691**	80,885
Other borrowings (Note (b))	**–**	6,438
	49,691	87,323
Total	**50,308**	87,323

(a) Bank borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Interest-bearing bank borrowings	**50,308**	80,885

28 BANK AND OTHER BORROWINGS (CONTINUED)

(a) Bank borrowings (Continued)

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	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**49,691**	80,885
In the second year	**617**	–
	50,308	80,885

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

The weighted average interest rate is 5.3% per annum for the year ended 31 December 2021 (2020: 5.1%).

As at 31 December 2021, the Group had aggregate banking facilities of RMB57,000,000 (2020: RMB108,000,000). Unused facilities as at the same date amounted to RMB20,360,000 (2020: RMB31,315,000). The Group's banking facilities are secured and/or guaranteed by:

(i) corporate guarantee from independent third parties of RMB11,550,000 as at 31 December 2021 (2020: RMB30,000,000);

(ii) building of the Group of approximately RMB10,852,000 as at 31 December 2020 (2020: RMB11,576,000) (Note 13);

(iii) pledged bank deposits of approximately RMB221,000 held at bank as at 31 December 2021 (2020: RMB5,359,000) (Note 22);

(iv) trade receivables outstanding from certain specific customers of the Group of approximately RMB3,131,000 as at 31 December 2021 (2020: RMB13,338,000) (Note 18);

(v) other deposits of the Group of RMB500,000 as at 31 December 2021 (2020: RMB1,000,000)(Note 20(ii)); and

(vi) Personal guarantee from the directors of the Company and their spouses.

28 BANK AND OTHER BORROWINGS (CONTINUED)

(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	
	2021	2020
	RMB'000	RMB'000
Within one year	**–**	6,438
One to two years	**–**	–
	–	6,438
Less: portion classified as current liabilities	**–**	(6,438)
	–	–

The Group entered into loan agreements dated 11 March 2019 and 7 December 2019 with an independent third party at a principal amount of RMB7,700,000 and RMB10,500,000 which bear interest at 8.1% and 5.7% per annum, respectively, and are denominated in RMB. The loans are repayable in equal monthly instalments and have been fully settled on 29 March 2021 and 26 December 2021, respectively. As at 31 December 2020, the loans are secured by:

(i) other deposits of RMB1,200,000 (Note 20(ii)); and

(ii) certain equipment of the Group of approximately RMB2,244,000 (Note 13).

The carrying amounts of other borrowings approximate their fair values as at 31 December 2020.

29 LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Within one year	**16,537**	15,792
One to two years	**7,779**	16,389
Two to five years	**11,324**	17,555
Over five years	**–**	444
Total lease payments	**35,640**	50,180
Less: future finance charges	**(2,769)**	(4,918)
Total lease liabilities	**32,871**	45,262
Less: portion classified as current liabilities	**(15,095)**	(13,510)
	17,776	31,752

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

During the year, the Group's expenses related to short-term leases of RMB3,523,000 for the year ended 31 December 2021 (2020: RMB3,705,000) 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 2021 is RMB16,793,000 (2020: RMB11,138,000).

The total lease commitment related to short-term leases as at 31 December 2021 is RMB157,000 (2020: RMB452,000).

30 CASH (USED IN)/GENERATED FROM OPERATIONS

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Loss before income tax	**(79,488)**	(11,906)
Adjustments for:		
Equity-settled share-based payments	**5,772**	–
Share of (profits)/losses of associates	**(2,313)**	101
Depreciation of property and equipment	**6,566**	3,189
Amortisation of intangible assets	**8,734**	6,304
Depreciation of right of use assets	**12,634**	3,917
Expected credit losses on trade receivables	**19,332**	13,218
Expected credit losses on contract assets	**4,552**	2,380
Loss on disposal of property and equipment	**1**	15
Finance costs, net	**8,302**	4,250
Fair value gains on short-term investments	**–**	(928)
Operating cash flows before changes in working capital	**(15,908)**	20,540
Changes in working capital:		
Increase in trade receivables	**(16,153)**	(75,646)
Decrease/(increase) in prepayments and other receivables	**1,214**	(4,240)
Increase in contract assets/liabilities, net	**(11,578)**	(69,648)
Decrease in inventories	**–**	457
Increase in trade payables	**8,227**	27,152
Increase in accruals and other payables	**25,356**	15,404
Cash used in operations	**(8,842)**	(85,981)

30 CASH (USED IN)/GENERATED FROM OPERATIONS (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
Property and equipment		
Net book value	**4**	15
Loss on disposal of property and equipment	**(1)**	(15)
Proceeds from disposal of property and equipment	**3**	–

(a) Non-cash transactions

During the year ended 31 December 2021, additions to the right-of-use assets amounted to RMB2,128,000 (2020: RMB50,510,000).

(b) Deemed disposal of Group's equity interest in a subsidiary

During the year ended 31 December 2021, Shenzhen Yinxing issued new shares to its non-controlling interests and results in the reduction of the Group's equity interest held in Shenzhen Yinxing from 56% to 50.6%. The capital contribution to Shenzhen Yinxing by non-controlling interests of RMB9,067,000. The difference of RMB4,154,000 between the changes in the non-controlling interests and the capital contribution received from non-controlling interests has been credited to capital reserve.

(c) Net (debt)/cash reconciliation

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

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	**21,955**	74,184
Pledged bank deposits and other deposits	**721**	7,559
Bank and other borrowings	**(50,308)**	(87,323)
Amount due to a director	**(51,220)**	–
Amount due to a substantial shareholder	**(3,000)**	–
Lease liabilities	**(32,871)**	(45,262)
Net debt	**(114,723)**	(50,842)

30 CASH (USED IN)/GENERATED FROM OPERATIONS (CONTINUED)

(c) Net (debt)/cash reconciliation (Continued)

	Cash and cash equivalents RMB'000	Pledged bank deposits and other deposits RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Amount due to director RMB'000	Amount due to a substantial shareholder RMB'000	Total RMB'000
Net cash as at 1 January 2020	178,452	8,503	(66,850)	(5,396)	–	–	114,709
Cash flows	(103,318)	(944)	(20,473)	11,138	–	–	(113,597)
Acquisition – leases	–	–	–	(50,510)	–	–	(50,510)
Lease interests	–	–	–	(494)	–	–	(494)
Foreign exchange adjustments	(950)	–	–	–	–	–	(950)
Net debt as at 31 December 2020	74,184	7,559	(87,323)	(45,262)	–	–	(50,842)
Cash flows	(51,918)	(6,838)	37,015	16,793	(51,220)	(3,000)	(59,168)
Acquisition – leases	–	–	–	(2,128)	–	–	(2,128)
Lease interests	–	–	–	(2,274)	–	–	(2,274)
Foreign exchange adjustments	(311)	–	–	–	–	–	(311)
Net debt as at 31 December 2021	**21,955**	**721**	**(50,308)**	**(32,871)**	**(51,220)**	**(3,000)**	**(114,723)**

31 BUSINESS COMBINATION

On 9 December 2020, the Group entered into an equity transfer agreement to acquire 56% of the share capital of Shenzhen YinXing. Subsequently, the acquisition was completed on 17 December 2020 and thereby obtained the control of Shenzhen YinXing, which is principally engaged in providing enterprise customers with specialised information technology services, including preliminary project consultation, technical certification, product platform and business implementation, personnel training, software development, and on-site operation and maintenance.

Details of the consideration paid for Shenzhen YinXing, the fair value of net assets acquired and liabilities assumed and the non-controlling interest's proportionate share of Shenzhen YinXing's net identifiable assets at the acquisition date are as follows:

	RMB'000
Purchase consideration	
– Cash (Note a)	3,474
– Issue of 2,150,537 ordinary shares	10,419
Total purchase consideration	13,893

31 BUSINESS COMBINATION (CONTINUED)

The fair value of the ordinary shares issued as part of the purchase consideration was based on the published share price at the date of completion (i.e. HKD5.74 per share).

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Furniture, fittings and equipment (Note 13)	68
Inventories	454
Trade receivables (Note b)	5,194
Other receivables, prepayments and deposits	695
Cash and cash equivalent	208
Contract liabilities	(1,690)
Accruals and other payables	(4,914)
Deferred tax liabilities	(2,492)
Current income tax liabilities	(1,204)
Backlog orders (Note 14)	1,948
Customer relationship (Note 14)	8,017
Net identifiable assets acquired	6,284
Less: non-controlling interests (Note c)	(10,916)
Add: goodwill (Note 14)	18,525
Net assets acquired	13,893

The goodwill of RMB18,525,000 arising from the acquisition is attributable to the expected synergies arising from the technical know-how and the combined operations of the Group and Shenzhen YinXing. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenue of approximately RMB15,048,000 and net profit of approximately RMB901,000 to the Group for the period from 18 to 31 December 2020 (Note 35). Had Shenzhen YinXing been consolidated from 1 January 2020, consolidated revenue and net loss of the Group for the year ended 31 December 2020 would have been approximately RMB364,701,000 and RMB15,212,000, respectively.

There were no acquisitions in the year ended 31 December 2021.

Notes:

(a) As at 31 December 2020, the Group has settled approximately RMB1,900,000 to the vendors of Shenzhen YinXing, with the unsettled scheduled to be repaid before 31 December 2022.

(b) The fair value of the acquired trade receivables is RMB5,194,000. The gross contractual amount for trade receivables due is RMB5,706,000, with a loss allowance of RMB512,000 on initial recognition.

31 BUSINESS COMBINATION (CONTINUED)

Notes: (Continued)

(c) The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquire entity's net assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Shenzhen YinXing, the Group elected to recognise the non-controlling interests at fair value.

This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 14.7%;
- assumed long-term sustainable growth rate of 3%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Shenzhen YinXing.

Purchase consideration – net cash outflow

	RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(3,474)
Less:	
Consideration payable	1,574
Cash acquired	208
Net outflow of cash – investing activities	(1,692)

Performance targets of Shenzhen YinXing for the financial years ending 31 December 2021 and 2022

Pursuant to the equity transfer agreement entered into with the vendors, the vendors warrant and guarantee to the Group that Shenzhen YinXing shall meet the agreed certain performance targets with regards to Shenzhen YinXing's revenue and net profit for the financial years ending 31 December 2021 and 2022. The vendors shall make cash compensation to the Group if Shenzhen YinXing fails to achieve the agreed performance targets, and the amount depends on the percentage of performance targets that Shenzhen YinXing attains for the financial years ending 31 December 2021 and 2022. The Group has estimated that the fair value of such amount of cash compensation receivable from the vendors as at the date of the completion of acquisition and 31 December 2020 and 2021 to be minimal.

Acquisition of remaining equity interest in Shenzhen YinXing

Pursuant to the equity transfer agreement entered into with the vendors, the Group have the right to acquire the remaining equity interests in Shenzhen YinXing held by the vendors subsequently after the acquisition. Such arrangement and the consideration are subjected to further negotiation between the Group and the vendors.

32 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 2020 and 2021.

Name of the related parties	Relationship with the Group
Mr. Song Hongtao ("Mr. Song")	Chairman, Director and controlling shareholder
Mr. Wu Xiaohua ("Mr. Wu")	Director, shareholder and the Chief Executive Officer (Resigned as the Chief Executive Officer on 26 March 2020)
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
Dr. Wu Fu-Shea	Senior management (Appointed as the Chief Executive Officer on 26 March 2020 and as an executive director on 10 September 2021)
Mr. Cao Xinjian	Senior management
Ms. Wei Huijuan	Senior management
Mr. Zhang Lei	Senior management
Mr. Wang Jialin	Senior management
Ms. Yu Hongcui	Senior management
Mr. Song Aihua	Senior management
Ms. Zhu Dongmei	Senior management
Mr. Jiang Jingxiang	Senior management

(a) Key management compensation

The compensation paid or payable to key management for employee services during the years ended 31 December 2020 and 2021 are shown below:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses, fees and allowances	**14,836**	13,997
Retirement benefit contributions	**1,306**	731
Equity-settled share-based payments	**1,277**	–
	17,419	14,728

32 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related parties balances

The amounts due to a director and a substantial shareholder are unsecured, bears interest at 4.75% per annum and repayable on demand.

33 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive officer's emoluments

The remuneration of each director and the chief executive officer paid/payable by the Group for each of the years ended 31 December 2020 and 2021 are as follows:

Year ended 31 December 2020

	Emoluments paid or receivable in respect of a person's services as management, 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 Hongtao	443	336	–	84	72	–	–	935
Mr. Wu Xiaohua	336	256	–	66	58	–	–	716
Mr. Lam Chun Hung, Stanley (Note i)	160	67	–	–	8	–	–	235
Ms. Wang Jing (Note ii)	336	362	129	101	82	–	–	1,010
Independent Non-Executive Directors								
Mr. Tu Xinchun	107	–	–	–	–	–	–	107
Ms. Zhang Yahan	107	–	–	–	–	–	–	107
Prof. Qiao Zhonghua (Note iii)	107	–	–	–	–	–	–	107
Chief Executive Officer								
Dr. Wu Fu-Shea (Note iv)	448	1,054	–	–	12	–	–	1,514
	2,044	2,075	129	251	232	–	–	4,731

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive officer's emoluments (Continued)

Year ended 31 December 2021

	Emoluments paid or receivable in respect of a person's services as management, 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 Hongtao	468	288	–	72	105	–	–	933
Mr. Wu Xiaohua	368	208	–	54	89	–	–	719
Dr. Wu Fu-Shea (Note iv)	603	904	–	–	15	–	–	1,522
Mr. Lam Chun Hung, Stanley (Note i)	149	–	–	–	7	–	–	156
Ms. Wang Jing (Note ii)	368	393	129	109	104	–	–	1,103
Independent Non-Executive Directors								
Mr. Tu Xinchun	100	–	–	–	–	–	–	100
Ms. Zhang Yahan	100	–	–	–	–	–	–	100
Prof. Qiao Zhonghua (Note iii)	100	–	–	–	–	–	–	100
	2,256	1,793	129	235	320	–	–	4,733

Notes:

(i) Mr. Lam Chun Hung, Stanley resigned as an executive director with effect from 1 March 2022.

(ii) Ms. Wang Jing resigned as an executive director with effect from 1 March 2022.

(iii) Prof. Qiao Zhonghua resigned as an independent non-executive director with effect from 1 March 2022.

(iv) Dr. Wu Fu-Shea was appointed as the Chief Executive Officer on 26 March 2020 and was also appointed as an executive director with effect from 10 September 2021.

There was no arrangement under which a director waived or agreed to waive any emolument during the year ended 31 December 2021 (2020: Nil).

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2020: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2021 (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: Nil).

34 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 2021	Effective equity interest held 2020	Principal activities
Directly held subsidiaries					
Prophet Technology Ltd. (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%**	100%	Investment holding
Indirectly held subsidiaries					
Blue Whale AI Technology Co., Ltd. (藍鯨智能科技有限公司)	Hong Kong, limited liability company	16,500 ordinary shares of HKD1 each HKD16,500	**100%**	100%	Investment holding
Hongkong Hongsheng Investment Co., Ltd. (香港泓盛投資有限公司)	Hong Kong, limited liability company	10,000 ordinary shares of HKD1 each HKD10,000	**100%**	100%	Investment holding
Suoxinda Shenzhen (深圳索信達數據技術有限公司)	Mainland China,, limited liability company	118,000,000 ordinary shares of RMB1 each RMB118,000,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Suoxinda Beijing (索信達(北京)數據技術有限公司)	Mainland China, limited liability company	50,000,000 ordinary shares of RMB1 each RMB50,000,000	**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. Ltd. (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

34 PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Company name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/registered capital	Effective equity interest held 2021	Effective equity interest held 2020	Principal activities
Zhejiang Suoxinda Data Technology Co., Ltd. (浙江索信達數據技術有限公司)	Mainland China, limited liability company	15,000,000 ordinary shares of USD1 each USD15,000,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Suoxinda (Suzhou) Data Technology Co., Ltd. (索信達（蘇州）數據技術有限公司)	Mainland China, limited liability company	10,000,000 ordinary shares of USD1 each USD10,000,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
Hangzhou Tanyan Technology Co., Ltd. (杭州探研科技有限公司)	Mainland China, limited liability company	10,000,000 ordinary shares of RMB1 each RMB10,000,000	**100%**	100%	Provision of data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services
杭州數軔科技有限公司	Mainland China, limited liability company	10,000,000 ordinary shares of RMB1 each RMB10,000,000	**100%**	–	Provision of data solutions, sales of hardware and software and related services as an integrated service
Shenzhen YinXing (深圳銀興智能數據有限公司)	Mainland China, limited liability company	10,000,000 ordinary shares of RMB1 each RMB10,000,000	**50.6% (Note (ii))**	56%	Provision of data solutions, sales of hardware and software and related services as an integrated service
索信达（深圳）軟件技術有限公司	Mainland China, limited liability company	5,000,000 ordinary shares of RMB1 each RMB5,000,000	**51%**	–	Provision of data solutions, sales of hardware and software and related services as an integrated service

Notes:

(i) 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.

(ii) During the year ended 31 December 2021, Shenzhen Yinxing issued new shares to its non-controlling interests and results in the reduction of the Group's equity interest held in Shenzhen Yinxing from 56% to 50.6%. The capital contribution to Shenzhen Yinxing by non-controlling interests of RMB9,067,000. The difference of RMB4,154,000 between the changes in the non-controlling interests and the capital contribution received from non-controlling interests has been credited to capital reserve.

35 NON-CONTROLLING INTERESTS

Shenzhen YinXing is a subsidiary with 49.4% (2020: 44%) non-controlling interests that are material to the Group. Set out below is the summarised financial information of Shenzhen YinXing.

Summarised statement of financial position

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Current assets	**49,951**	20,286
Current liabilities	**(41,218)**	(20,579)
Net current assets/(liabilities)	**8,733**	(293)
Non-current assets	**11,652**	9,949
Non-current liabilities	**(3,533)**	(2,471)
Net non-current assets	**8,119**	7,478
Net assets	**16,852**	7,185

Summarised statement of comprehensive income

	For the year ended 31 December 2021 RMB'000	For the period from 18 to 31 December 2020 RMB'000
Revenue	**87,717**	15,048
Profit for the year	**600**	901
Profit attributable to non-controlling interests	**251**	396

35 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised cash flows

	For the year ended 31 December 2021 RMB'000	For the period from 18 to 31 December 2020 RMB'000
Net cash generated from operating activities	**15,143**	2,089
Net cash used in investing activities	**(1,307)**	–
Net cash used in financing activities	**(14,956)**	–
Net (decrease)/increase in cash and cash equivalents	**(1,120)**	2,089

36 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**150,614**	150,614
Prepayments		**–**	3,368
		150,614	153,982
Current assets			
Amount due from subsidiaries		**12,052**	11,666
Other receivables		**–**	58
Prepayments		**–**	674
Cash and cash equivalents		**3,379**	17,038
		15,431	29,436
Total assets		**166,045**	183,418
EQUITY			
Equity attributable to the owners of the Company			
Share capital	23	**3,597**	3,597
Other reserves	(a)	**201,021**	195,904
Accumulated losses	(a)	**(59,900)**	(35,996)
Total equity		**144,718**	163,505
LIABILITIES			
Current liabilities			
Accruals and other payables		**4,476**	3,125
Amounts due to subsidiaries		**16,851**	16,788
Total liabilities		**21,327**	19,913
Total equity and liabilities		**166,045**	183,418

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

Note (a): Movement in the Company's other reserves and accumulated losses

	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Share-based payment reserve RMB'000 (Note 24(ii))	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	119,640	69,451	–	(285)	(25,352)	163,454
Comprehensive loss						
Loss for the year	–	–	–	–	(10,644)	(10,644)
Other comprehensive loss						
Currency translation differences	–	–	–	(3,302)	–	(3,302)
Total comprehensive loss for the year	–	–	–	(3,302)	(10,644)	(13,946)
Transactions with owners in their capacity as owners						
Issue of shares pursuant to the acquisition of a subsidiary (Notes 23(i) and 31)	10,400	–	–	–	–	10,400
At 31 December 2020	130,040	69,451	–	(3,587)	(35,996)	159,908

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

Note (a): Movement in the Company's other reserves and accumulated losses (Continued)

	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Share-based payment reserve RMB'000 (Note 24(ii))	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	130,040	69,451	–	(3,587)	(35,996)	159,908
Comprehensive loss						
Loss for the year	–	–	–	–	(23,904)	(23,904)
Other comprehensive loss						
Currency translation differences	–	–	–	(655)	–	(655)
Total comprehensive loss for the year	–	–	–	(655)	(23,904)	(24,559)
Share-based payments (Note 24(ii))	–	–	5,772	–	–	5,772
At 31 December 2021	130,040	69,451	5,772	(4,242)	(59,900)	141,121

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.

37 SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible participants to the Group. Eligible participants include any employee, consultant, supplier and/or customer who in the sole discretion of the Board has contributed or may contribute to the Group. The Scheme became effective on 8 June 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

37 SHARE-BASED PAYMENTS (CONTINUED)

(a) Equity-settled share option scheme (Continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the effective date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder or connected persons of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company for the time being in issue and with an aggregate value (based on the the Stock Exchange closing price of the Company's shares on the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer. Upon acceptance of the share options, the duplicate letter comprising acceptance of the option duly signed by the share option scheme grantee together with a remittance in favour of the Company of HK$0.01 or any other amount as determined by the Board by way of consideration for the grant shall be provided. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

No option has been granted under the Share Option Scheme during the year ended 31 December 2020.

37 SHARE-BASED PAYMENTS (CONTINUED)

(a) Equity-settled share option scheme (Continued)

On 28 December 2021, 274,100 share options were granted to the Company's selected employees. None of the options grantees was a director, chief executive or substantial shareholder of the Company or any of their respective associates.

Details of the specific categories of share options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
2021A	28 December 2021	The first trading day after 31 March 2022	1 April 2022– 7 June 2030	6.33
2021B	28 December 2021	The first trading day after 31 March 2023	1 April 2023– 7 June 2030	6.33
2021C	28 December 2021	The first trading day after 31 March 2024	1 April 2024– 7 June 2030	6.33
2021D	28 December 2021	The first trading day after 31 March 2025	1 April 2025– 7 June 2030	6.33
2021E	28 December 2021	The first trading day after 31 March 2026	1 April 2026– 7 June 2030	6.33

The following table discloses movements of the Scheme during the year:

	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
2021A	–	17,500	–	–	–	17,500	–
2021B	–	68,525	–	–	–	68,525	–
2021C	–	68,525	–	–	–	68,525	–
2021D	–	68,525	–	–	–	68,525	–
2021E	–	51,025	–	–	–	51,025	–
	–	274,100	–	–	–	274,100	–

If the options remain unexercised after the vesting dates until 7 June 2030, the options expire. Options are forfeited forfeited in various situations as prescribed under the Scheme rules, including the employees leaving the Group.

37 SHARE-BASED PAYMENTS (CONTINUED)

(a) Equity-settled share option scheme (Continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.43 years (2020: N/A) and the exercise price is HK$6.33 (2020: N/A). In 2021, options were granted on 28 December 2021. The estimated fair values of the options on those dates are RMB898,000.

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

	2021
Weighted average share price	**HK$6.33**
Weighted average exercise price	**HK$6.33**
Expected volatility	**40.7%–52.2%**
Expected life	**8.43 years**
Risk free rate	**0.125%–1.022%**
Expected dividend yield	**0%**

Expected volatility was determined by calculating the historical volatility of the Company's share price since the date of listing. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong government bonds as at the grant date.

(b) Share award scheme

Pursuant to a share award scheme adopted by the Company on 8 June 2020, the Company may grant such shares to certain employees of the Group and shall be satisfied by the allotment and issue of new shares of the Company. During the year ended 31 December 2021, the Company granted 5,972,322 shares (2020: Nil) at nil consideration to the Group's employees, of which 260,000 shares (2020: Nil) were granted to the Company's director. The fair value of the employee services received in exchange for the grant of shares is recognised as employees benefits expenses in profit or loss with a corresponding increase in share-based payment reserve, which is measured based on the grant date share price of the Company.

Five Years Financial Summary

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

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**397,372**	330,290	257,915	185,549	139,386
Gross profit	**129,196**	117,592	91,594	63,077	46,461
(Loss)/profit before income tax	**(79,488)**	(11,906)	10,515	27,172	23,591
Income tax credit/(expenses)	**3,501**	(806)	(6,391)	(4,529)	(2,714)
(Loss)/profit for the year	**(75,987)**	(12,712)	4,124	22,643	20,877
(Loss)/profit for the year attributable to:					
Owners of the Company	**(76,238)**	(13,108)	4,124	23,156	20,765
Non-controlling interests	**251**	396	—	(513)	112

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**196,925**	175,599	83,915	63,958	23,206
Current assets	**276,767**	306,142	289,761	118,460	103,401
Non-current liabilities	**20,334**	35,797	10,043	4,317	612
Current liabilities	**299,188**	230,297	154,073	102,237	47,961
Net current (liabilities)/assets	**(22,421)**	75,845	135,688	16,223	55,440
Total assets less current liabilities	**174,504**	251,444	219,603	80,181	78,646