NEWLINK TECHNOLOGY INC.

新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9600

2021 ANNUAL REPORT

*For identification purpose only

CONTENTS

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"2022 AGM"	the AGM to be held on June 10, 2022
"AGM"	the annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Beijing Newlink"	Beijing Newlink Technology Co., Ltd. (北京新紐科技有限公司), a limited liability company established under the laws of the PRC on August 15, 2011 and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
"CEO"	chief executive officer of the Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "Newlink Technology" or "we"	Newlink Technology Inc. (新紐科技有限公司*), an exempted company incorporated under the laws of Cayman Islands with limited liability on November 8, 2019, and where the context otherwise requires, the Group
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhai and Nebula SC
"Director(s)"	the director(s) of the Company
"Global Offering"	the Hong Kong public offering and the international offering of shares in connection with the IPO
"Group"	the Company and its subsidiaries

* *For identification purposes only*

DEFINITIONS

"Hainan Newlink"	Hainan Newlink Technology Co., Ltd. (海南新紐科技有限公司), a company incorporated under the laws of the PRC on July 1, 2021 and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huakun Zhenyu"	Sichuan Huakun Zhenyu Intelligent Technology Co., Ltd.(四川華鯤振宇智能科技有限責任公司), a mixed-ownership high-tech innovation enterprise jointly funded by Chengdu Hi-Tech Investment Group Co., Ltd. (成都高新投資集團有限公司) and Sichuan Shenwan & Hongyuan Changhong Equity Investment Fund partnership (limited partnership) (四川申萬宏源長虹股權投資基金合夥企業(有限合夥)). It is a strategic partner of the Group.
"ICBC Technology"	ICBC Information and Technology Co., Ltd. (工銀科技有限公司), a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司). It is a strategic partner of the Group.
"IPO"	the Company's initial public offering of its Shares
"iSoft Infrastructure Software"	iSoft Infrastructure Software Co., Ltd. (普華基礎軟件股份有限公司), a company invested and established by China Electronics Technology Group Corporation (中國電子科技集團有限公司). It is a strategic partner of the Group.
"Listing Date"	January 6, 2021, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Zhai"	Mr. ZHAI Shuchun (翟曙春), the chairman of the Board, executive Director, CEO and one of the Controlling Shareholders
"Nebula SC"	Nebula SC Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on November 6, 2019 and wholly-owned by Mr. Zhai
"Nomination Committee"	the nomination committee of the Board

DEFINITIONS

"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on December 5, 2020
"Prospectus"	the prospectus of the Company dated December 21, 2020
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RPA" or "Robotic Process Automation"	the application of technology that allows IT engineers to configure computer software or a robot to capture and interpret existing applications and data for processing a transaction, manipulating data, triggering responses and communicating with other systems
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.000001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"Xinjiang Branch"	Beijing Newlink Technology Co., Ltd. Xinjiang Branch (北京新紐科技有限公司新疆分公司), a branch of the Company incorporated under the laws of the PRC on June 21, 2021
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHAI Shuchun *(Chairman and CEO)*
Ms. QIAO Huimin
Ms. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors

Mr. TANG Baoqi
Mr. YE Jinfu
Ms. YANG Juan

JOINT COMPANY SECRETARIES

Ms. ZHANG Xiushi
Ms. HO Wing Nga (HKFCG (PE), FCG)

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. ZHAI Shuchun
Ms. HO Wing Nga (HKFCG (PE), FCG)

AUDIT COMMITTEE

Mr. YE Jinfu *(Chairman)*
Mr. TANG Baoqi
Ms. YANG Juan

REMUNERATION COMMITTEE

Ms. YANG Juan *(Chairwoman)*
Mr. ZHAI Shuchun
Mr. TANG Baoqi

NOMINATION COMMITTEE

Mr. TANG Baoqi *(Chairman)*
Mr. ZHAI Shuchun
Ms. YANG Juan

HONG KONG LEGAL ADVISOR

DLA Piper
25th Floor, Three Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

AUDITOR

Ernst & Young
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay
Hong Kong
Registered PIE Auditor

COMPLIANCE ADVISOR

Goldlink Capital (Corporate Finance) Limited
28/F, Bank of East Asia Harbour View Centre
56 Gloucester Road,
Wanchai
Hong Kong

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

5/F, Tower A, Xueqing Jiachuang Building
Xueqing Road
Haidian District, Beijing
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China CITIC Bank
Beijing Branch
Block A, Investment Plaza
No. 27 Financial Street
Xicheng District, Beijing
the PRC

Huaxia Bank
Beijing Zhichun Branch
Lixiang Building
No. 111 Zhichun Road
Haidian District, Beijing
the PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Stock code: 9600

WEBSITE

www.xnewtech.com

MILESTONES IN 2021

Timeline	Events
January	Listed on the Main Board of the Stock Exchange with stock code: 9600
March	Launched the upgraded version of the "RPA Robotic Process Automation Platform V3.1"
June	Established Xinjiang Branch to strengthen regional penetration in the local area
July	Entered into a cooperation framework agreement with ICBC Technology to establish a partnership in artificial intelligence
	Signed cooperation agreements with iSoft Infrastructure Software and HuaKun Zhenyu to carry out the cooperation in the "Newlink AI Integrated Machine"
	Established Hainan Newlink to establish presence in the medical IT industry in Hainan Free Trade Port
	Won the award of the "Best Banking Artificial Intelligence Solution for 2021 (2021 最佳銀行業人工智能解決方案獎)"
September	Won the award of the "Best IT-based Solution in the Medical Industry for 2021 (2021 醫療行業信息化最佳解決方案)"
	Won the award of "Top 100 in Industry Informatisation Competitiveness for 2021 – Top 20 in Software Information Services (2021 行業信息化競爭力百強——軟件信息服務 20 強)"
	Won the award of "Top 10 Leading Enterprises in the Artificial Intelligence Industry for 2021 (2021 年度人工智能行業十大領軍企業)"
	Mr. ZHAI was honoured with the titles of the "Informatisation Leader in the Medical Industry for 2021 (2021 醫療行業信息化領軍人物)" and "Top 10 Leaders in Artificial Intelligence Industry for 2021 (2021 年度人工智能行業十大領軍人物)"

MILESTONES IN 2021

October	Initiated the repurchase of the Shares
	Beijing Newlink won the "Digital Innovation Model Award for 2021 (2021 年度數字化創新典範獎)"
	Won the award of the "Bank AI + RPA Innovative Service Provider (銀行 AI+RPA 創新服務企業)"
November	Newly launched innovative IT-based medical products such as the "Clinical Case Accurate Duplicate Checking System V1.0 (臨床病例精確查重系統 V1.0)", the "Clinical Diagnosis and Surgical Coding Inspection Support System V1.0 (臨床診斷與手術編碼檢驗支撐系統 V1.0)" and the "Clinical Case Typo Recognition and Intelligent Recommendation System V1.0 (臨床病例錯別字識別與智能推薦系統 V1.0)"
December	Won the award of the "Best Small and Mid-Cap Company (最佳中小市值公司)"

FINANCIAL SUMMARY

	For the Year Ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**205,752**	176,147	148,970	120,571	21,066
Gross profit	**74,598**	92,402	73,158	57,783	8,871
Profit before tax	**17,015**	40,284	38,235	35,410	1,602
Income tax expenses	**(3,968)**	(8,255)	(5,122)	(4,287)	(63)
Profit for the year	**13,047**	32,029	33,113	31,123	1,539
Profit attributable to:					
Owners of the parent	**13,047**	32,029	33,106	31,123	1,539
Non-controlling interests	**–[1]**	–[1]	7	–	–

	As at December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**873,338**	258,480	245,118	123,688	46,306
Total liabilities	**34,067**	59,107	58,221	48,404	17,145
Equity attributable to the owners of the parent	**837,764**	197,866	185,390	75,284	29,161
Non-controlling interests	**1,507**	1,507	1,507	–	–
Total equity	**839,271**	199,373	186,897	75,284	29,161

Note:

1. Less than RMB1,000.

CHAIRMAN’S STATEMENT

Dear Shareholders,

The year of 2021, the post-pandemic era, marked an extraordinary year for China, China’s information technology industry and Newlink Technology, in which we have experienced too many challenges and baptisms. In 2021, the COVID-19 pandemic continued to spread around the globe. Facing the severe and complex challenges from the international situation, China was among the first to control the pandemic and the first to resume work and production. The year of 2021 was the first year of China’s “14th Five-Year Plan”. The period of the “14th Five-Year Plan” is known as an important opportunity period for IT-driven innovation to lead high-quality development, and a new stage for domestic informatisation to accelerate digital development and build a digital China. The year of 2021 also marked the first year of listing for Newlink Technology. The Group continued to invest in the development of application scenarios of artificial intelligence and big data analysis technology in various industries. While maintaining its advantages of IT-based services in various professional fields including finance and medical care, the Group sought for breakthroughs in new technologies and profit models. We also won many awards and credentials in the industry, among which, the awards in the field of artificial intelligence technology and the development of innovative solutions where we focus our research and development efforts include “Top 10 Leading Enterprises in the Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍企業)”, the “Digital Innovation Model Award for 2021 (2021年度數字化創新典範獎)”, “Top 50 Pioneer Enterprises in China’s Financial Digital Transformation (中國金融數字化轉型先鋒企業 TOP50)”, the “Bank AI + RPA Innovative Service Provider (銀行AI+RPA創新服務企業)”, the “Best Banking Artificial Intelligence Solution for 2021 (2021 最佳銀行業人工智能解決方案獎)”, the “Best IT-based Solution in the Medical Industry for 2021 (2021 醫療行業信息化最佳解決方案)”, and I was honoured with the titles of “Top 10 Leaders in Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍人物)” and the “Informatisation Leader in the Medical Industry for 2021 (2021醫療行業信息化領軍人物)”.

In 2021, Newlink Technology stepped up efforts to develop innovative solutions realizing in application scenarios of various industries based on artificial intelligence and big data analysis technology in terms of business strategy, R&D investment and market promotion. The Group’s business development is based on in-depth study of the business model, development direction and competitive landscape of the industries in which its customers operate, as well as the continuous strengthening of its own technological research and development capabilities. In addition to maintain the continuous and stable development of traditional solutions business, by combining the application of artificial intelligence and big data analysis technology, we further helped customers to make deeper and more precise deployment in terms of improving efficiency, controlling service quality, reducing labor costs, accelerating marketing, and targeting customer groups, providing customers with more innovative and high value-added solutions that effectively reduce their costs and increase their output value. Our signature products include RPA solutions, RPA Integrated Machine and medical and health big data-based intelligent management solutions. Amidst the pandemic, we also deepened our review and introspection of our past operations, pushed forward the research and development of and promoted the application of SaaS products in financial and medical customers, and used technological means to help the industries in which our customers operate to carry out businesses through a new model of more convenient, prompter and safer online services under the general situation of rapid social and economic development and full of changes. In addition, while maintaining our advantages in serving professional fields, we successfully promoted RPA solutions or standardised RPA integrated machine products to large and medium-sized state-owned and private enterprises in industries such as coal power, Internet of Things, Internet and information technology services.

CHAIRMAN'S STATEMENT

In 2021, the Group's total revenue increased from RMB176.1 million in 2020 to RMB205.8 million, representing an increase of 16.9%. Specifically, revenue from innovative solutions powered by artificial intelligence and big data analysis technologies reached RMB119.1 million, accounting for more than half of the revenue to 57.9% of the total revenue. In addition, the Group increased its investment in the research and development of innovative solutions. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. This also marked that, within four years since the launch of its first innovative solution product, the Group has initially realised its transformation from a traditional solution service provider to an artificial intelligence and big data solution service provider that can provide customers with high value-added solution services.

The year of 2022 will continue to be a year in which Newlink Technology maintains rapid development, and the "team" will become increasingly important in active management. Over the past year, many outstanding grassroots and middle-level employees of the Group have vigorously made extraordinary contributions at their ordinary posts, demonstrating the team's spirit of sincere cooperation and innovation. Looking ahead to 2022, we will continue to strengthen team building and talent management, deepen the incentive system of the Group, fully motivate the enthusiasm and creativity of our employees, attract and retain excellent management talents and business backbones, and improve the cohesion of the staff and the sustainable development competitiveness of the Group.

The year of 2022 is the first year for China's economy to resume to normal after the impact of the COVID-19 pandemic has subsided, which is directional for the start of the "14th Five-Year Plan". Newlink Technology will thoroughly study and implement the "14th Five-Year Plan" for National Informatisation Plan to make deployment arrangements for the development of informatisation in China during the "14th Five-Year Plan" period, diligently work in the field of digital construction services, accelerate the pace of IT-driven innovation and development on the basis of its independent research and development of software products, join hands with professional digital partners to promote the process of industrial digitalisation, build a more comprehensive industrial service system, bravely embrace new challenges brought about by the changing market and social environment, and deeply identify new opportunities and new spaces. Driven by policy dividends, we will continue to promote the application of cutting-edge technologies and the continuous innovation of solutions, increase efforts in technology research and development and market promotion, and further strengthen the development of key technologies and SaaS services for artificial intelligence and big data analysis applications. In addition, we will promote and apply RPA solutions and other innovative generic products to a wider range of customers to expand our own strengths, thereby helping more real industries to accelerate their digital transformation and contributing to the development of a digital China.

CHAIRMAN'S STATEMENT

Finally, on behalf of the Board, I would like to express my deepest gratitude to all the employees and management of the Group for their commitment and unremitting efforts. I would also like to express my sincere thanks to all shareholders and partners for their firm support and trust. It is their contributions that have brought sustained and rapid development to the Group's business. We are of full confidence in the future. The Group will continue to expand its solution-offering advantages powered by artificial intelligence and big data analysis, and will continue to strengthen efforts to deepen its understanding of the industries in which our customers operate and achieve high added value of cutting-edge technologies in application scenarios, so as to further address more development pain points for more customers in various industries and to improve the quality of digitalisation-driven development of real industries. At the same time, we will actively identify target companies with appropriate technologies, customer bases or operation modes in our target markets for acquisition, and combine this with the refinement of our own business, so as to gradually expand the Company's development blueprint and create long-term value for our investors.

Mr. ZHAI Shuchun
Chairman and Chief Executive Officer

March 31, 2022

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS

The Board currently consists of seven Directors, comprised of four executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. ZHAI Shuchun (翟曙春)	56	Executive Director, Chairman and CEO	November 8, 2019
Ms. QIAO Huimin (喬慧敏)	50	Executive Director and chief financial officer	December 30, 2019
Ms. QIN Yi (秦褘)	44	Executive Director and deputy general manager	December 30, 2019
Mr. LI Xiaodong (李小東)	34	Executive Director and deputy general manager	December 30, 2019
Independent Non-executive Directors			
Mr. TANG Baoqi (唐保祺)	62	Independent non-executive Director	December 5, 2020
Mr. YE Jinfu (葉金福)	46	Independent non-executive Director	December 5, 2020
Ms. YANG Juan (楊鵑)	59	Independent non-executive Director	November 30, 2021

Executive Directors

Mr. ZHAI Shuchun (翟曙春), aged 56, is our executive Director, the chairman of the Board and chief executive officer. He is primarily responsible for the overall management of business, strategy, research and development of our Group. Mr. Zhai joined our Group in December 2016 and has been in charge of the overall management of Beijing Newlink since then. He was appointed as an executive Director in November 2019 and as our chief executive officer and chairman of the Board in December 2019. In addition to Hainan Newlink, Mr. Zhai also serves as a director of all other subsidiaries of the Company. Mr. Zhai has over 26 years of experience in information technology and software development industry. Mr. Zhai has been the executive director and general manager of Beijing Yunwang Wanwei Technology Co., Ltd. (北京雲網萬維科技有限公司) since December 2017, and the chairman of the board of directors and general manager of Beijing Guanruitong E-commerce Technology Co., Ltd. (北京冠瑞通電子商務科技股份有限公司) since March 2017. From May 2001 to December 2016, Mr. Zhai was the president and chairman of the board of directors at Beijing UFC Co., Ltd. (北京聯銀通科技有限公司). He also served as a director of DHC Software Co., Ltd. (東華軟件股份公司), a company listed on the Shenzhen Stock Exchange (stock code: 002065), from May 2008 to December 2010. From October 1995 to May 2001, Mr. Zhai served as the general manager of Vanda Systems & Communications Holdings Limited (中聯系統控股有限公司). Mr. Zhai obtained a bachelor's degree in computer science from Beijing Jiaotong University (北京交通大學) in July 1989, and a master's degree in satellite remote sensing from University of Chinese Academy of Sciences (中國科學院大學) in July 1995.

DIRECTORS AND SENIOR MANAGEMENT

Ms. QIAO Huimin (喬慧敏), aged 50, is our executive Director and chief financial officer. She is primarily responsible for the overall management of financial and accounting affairs of our Group. Ms. Qiao joined our Group in October 2017 and was appointed as an executive Director in December 2019. She has served as a chief financial officer at Beijing Newlink since October 2017 and as a director of Beijing Newlink since December 2019. Ms. Qiao has over 21 years of experience in accounting and financial management. Prior to joining us, Ms. Qiao served as the chief financial officer at Beijing UFC Co., Ltd. (北京聯銀通科技有限公司) from July 2003 to October 2017. Ms. Qiao served as the accounting manager at Tairong Xinye Holding Co., Ltd. (泰融信業控股有限公司) from September 2002 to July 2003. She worked as an accountant at Beijing Dadi Technology Industry Group Company (北京市大地科技實業總公司) from June 2000 to September 2002. Ms. Qiao was teaching at Northeastern University at Qinhuangdao (東北大學秦皇島分校) from August 1994 to August 1997. Ms. Qiao graduated from Northeastern University (東北大學) in China, where she obtained a bachelor's degree in management engineering in July 1994 and a master's degree in accounting in March 2000. Ms. Qiao was accredited as a senior accountant by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in May 2012.

Ms. QIN Yi (秦禕), aged 44, is our executive Director and deputy general manager. She is primarily responsible for the sales and marketing of our Group. Ms. Qin joined our Group in June 2012 and was appointed as an executive Director in December 2019. She was the head of sales and marketing department at Beijing Newlink from June 2012 to December 2016, and has served as a deputy general manager at Beijing Newlink since December 2016. Ms. Qin has over 11 years of experience in sales and marketing. Prior to joining us, Ms. Qin served as a client manager at Digital China Group Co., Ltd. (神州數碼集團股份有限公司), a company listed on the Stock Exchange (stock code: 0861) and Shenzhen Stock Exchange (stock code:000034), from August 2007 to June 2012. Ms. Qin obtained a college degree in modern public relations from China University of Mining and Technology (中國礦業大學) in July 2000, and a bachelor's degree in journalism from Communication University of China (中國傳媒大學) in July 2012.

Mr. LI Xiaodong (李小東), aged 34, is our executive Director and deputy general manager. He is primarily responsible for the project management of our Group. Mr. Li joined our Group in April 2015 and was appointed as an executive Director in December 2019. He was the head of project management department at Beijing Newlink from April 2015 to December 2016, and has served as a deputy general manager at Beijing Newlink since December 2016. Mr. Li has over 11 years of experience in software development. Prior to joining us, Mr. Li worked at Jiangsu Kaihua Intelligent Engineering Co., Ltd. (江蘇愷華智能工程有限公司) from November 2009 to March 2015. Mr. Li graduated from Huaian College of Information Technology (淮安信息職業技術學院) in July 2008 where he majored in computer software.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. TANG Baoqi (唐保祺), aged 62, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Tang has served as an independent non-executive director of Luzhou Bank Co., Ltd. (瀘州銀行股份有限公司) (formerly known as Luzhou City Commercial Bank Co., Ltd. (瀘州市商業銀行股份有限公司)), a company listed on the Stock Exchange (stock code: 1983) since December 2018. Mr. Tang has over 31 years of experience in finance industry. He worked at China Cinda (HK) Holdings Company Limited (中國信達(香港)控股有限公司), a subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) which is a company listed on the Stock Exchange (stock code: 1359; preference share stock code: 4607), as a senior manager, the general manager of risk management department, the chief risk officer and the chief financial officer since February 2000 and was a director and deputy general manager when he left China CINDA (HK) Holdings Company Limited in March 2018. Mr. Tang worked at the creditors' rights department (債權部) of China Cinda Asset Management Co., Ltd. from June 1999 to February 2000. Mr. Tang also served as a non-executive director of China Fortune Financial Group Limited (中國富強金融集團有限公司), a company listed on the Stock Exchange (stock code: 0290) from March 2016 to April 2018, a non-executive director of China National Materials Company Limited (中國中材股份有限公司), a company previously listed on the Stock Exchange (stock code: 1893) from July 2011 to July 2016, and an executive director of Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司), a company listed on the Stock Exchange (stock code: 0171) from March 2008 to July 2011. Mr. Tang obtained a bachelor's degree in economics from Hubei Institute of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1983. Mr. Tang was certified as a senior economist by People's Construction Bank of China (中國人民建設銀行) (currently known as China Construction Bank Corporation (中國建設銀行股份有限公司)) in March 1996.

Mr. YE Jinfu (葉金福), aged 46, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Ye has over 21 years of experience in accounting and auditing. He has worked at Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) as a partner since January 2012. Mr. Ye served as a partner at Ascenda Certified Public Accountants Ltd. (天健正信會計師事務所有限公司) from January 2009 to December 2011, and as a salary partner at Ascenda Certified Public Accountants (天健光華(北京)會計師事務所有限公司) from March 2001 to December 2008. Mr. Ye has also served as an independent non-executive director at Beijing EGOVA Co., Ltd. (北京數字政通科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300075) from November 2015 and December 2021, an independent non-executive director at Leyard Optoelectronic Co., Ltd. (利亞德光電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300296) since December 2016, an independent non-executive director at Capital Securities Co., Ltd. (首創證券有限責任公司) since February 2017, an independent non-executive director at Beijing Shiji Information Technology Co., Ltd. (北京中長石基信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002153) since November 2017, and an Independent non-executive director at Ingenic Semiconductor Co., Ltd. (北京君正集成電路股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300223) since December 2021. Mr. Ye obtained a bachelor's degree in accounting from Xiamen University (廈門大學) in July 1999 and a master's degree in accounting from Central University of Finance and Economics (中央財經大學) in June 2009. He also was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants in September 2002.

DIRECTORS AND SENIOR MANAGEMENT

Ms. YANG Juan (楊鵑), aged 59, is an independent non-executive Director of our Company. She is primarily responsible for supervising and providing independent judgment to our Board. She has over 30 years of experience in teaching, theory research and practice in the field of accounting. She has successively served as a lecturer, assistant professor, professor and master's supervisor at the school of accounting in Capital University of Economics and Business (首都經濟貿易大學) since July 1986. Ms. Yang received her bachelor's degree in accounting from Capital University of Economics and Business in July 1986.

SENIOR MANAGEMENT

Mr. ZHAI Shuchun (翟曙春), aged 56, is our executive Director, the chairman of the Board and chief executive officer. His biographical details are set out above under the section headed "Directors and Senior Management – Our Directors" in this annual report.

Ms. QIAO Huimin (喬慧敏), aged 50, is an executive Director and chief financial officer of the Company. Her biographical details are set out above under the section headed "Directors and Senior Management – Our Directors" in this annual report.

Ms. QIN Yi (秦禕), aged 44, is an executive Director and deputy general manager of the Company. Her biographical details are set out above under the section headed "Directors and Senior Management – Our Directors" in this annual report.

Mr. LI Xiaodong (李小東), aged 34, is an executive Director and deputy general manager of the Company. His biographical details are set out above under the section headed "Directors and Senior Management – Our Directors" in this annual report.

Mr. MAO Qilong (毛啟龍), aged 37, is our deputy general manager. He is primarily responsible for human resources and administration management of our Group. Mr. Mao joined the Group in April 2012 as the head of administration department at Beijing Newlink and has served as a deputy general manager at Beijing Newlink since December 2016. Mr. Mao has over 13 years of experience in administrative management. Prior to joining us, Mr. Mao served as deputy manager of the administrative department of Changshu Xinzhuang Jixiang Auxiliary Co., Ltd. (常熟市辛莊吉祥助劑有限公司) from February 2007 to March 2012. Mr. Mao graduated from Changshu Mocheng High School (常熟市莫城中學) in June 2003.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. ZHANG Xiushi (張琇石), is a joint company secretary of our Company, being responsible for secretarial matters of our Company. Ms. Zhang joined our Group in July 2019 as the board secretary of Beijing Newlink, and was appointed as a director of Beijing Newlink in December 2019 and as a joint company secretary of our Company in February 2020. Prior to joining us, Ms. Zhang served as the deputy general manager at the investment banking department of China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a company listed on the Stock Exchange (stock code: 6881), from February 2015 to June 2019. Ms. Zhang worked as a senior manager of the investment banking department of Capital Securities Co., Ltd. (首創證券有限責任公司) from May 2011 to February 2015. From July 2006 to June 2008, Ms. Zhang worked at World Shipping Group Limited. (世航集團有限公司). Ms. Zhang obtained a bachelor's degree in tourism management from Beijing International Studies University (北京第二外國語學院) in July 2006, and a master's degree in accounting from St. John's University in the United States in July 2010.

Ms. HO Wing Nga (何詠雅) was appointed as a joint company secretary of our Company in August 2020. Ms. Ho currently serves as the managing director, head of governance of Computershare Hong Kong Investor Services Limited. She is currently a joint company secretary of Financial Street Property Co., Limited (stock code: 1502) and the company secretary of Central China Management Company Limited (stock code: 9982). Ms. Ho has over 26 years of experience in corporate secretarial services. She obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "**HKCGI**", previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow of both the HKCGI and The Chartered Governance Institute, the United Kingdom. She is also a holder of the practitioner's endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

As a leading technology-driven IT solution service provider based on its software products in China, Newlink Technology has always attached importance to the innovation of technologies and business models, and has been focusing on providing digital construction services for the real economy throughout the years, thus establishing our advantages of IT-based services in specific industries such as finance and medical care. Meanwhile, by actively deploying cutting-edge technologies such as artificial intelligence and big data analysis, the Group vigorously researched and developed innovative solutions and further deployed SaaS services in combination with cloud computing technology, launched and promoted more industry-specific or generic innovative solutions powered by artificial intelligence and big data analysis, which helps more industries accelerate their pace of digital transformation while upgrading and transforming ourselves to artificial intelligence and big data solution service providers.

On January 6, 2021, the Group was successfully listed on the Main Board of the Stock Exchange. In 2021, the Group developed its business in accordance with the following strategic goals and strategies disclosed in the section headed "Business – Our Business Strategy" as set out in the Prospectus: on the one hand, to consolidate its market position in the financial IT solution industry and to increase efforts to upgrade and evolve innovative solution products based on the application of RPA technology; on the other hand, to increase investment in the research and development and business expansion of innovative medical IT solutions powered by big data analysis and image and text recognition technologies. At the same time, the Group has stepped up its efforts to promote artificial intelligence and big data solutions to a wider range of industries. While maintaining its advantages of serving specific industries, the Group further applied its solutions to large and medium-sized state-owned and private enterprises, expanding its customer base to coal power, Internet of Things, Internet, information technology services and other industries.

In 2021, the Group's innovative solutions powered by key technologies such as artificial intelligence and big data analysis were fully promoted and applied in both general and specific industries including finance and medical care. The innovative solutions of the Group contributed more than half of the total revenue in 2021, marking that the Group's business has initially achieved the transformation from mainly providing traditional solution services to mainly providing innovative solutions. The innovative solutions of the Group mainly refer to the solutions in which RPA technology, image and text recognition technology, knowledge graphs and deep learning technology, intelligent control technology, data mining and analysis technology, cloud-based computing technology, distributed technology and other artificial intelligence and big data analysis are applied as key technologies. Up to now, the signature innovative solutions of the Group include, amongst others, RPA solutions and RPA Integrated Machine, medical and health big data intelligent management solutions. Specifically, the medical and health big data intelligent management solutions include a series of products: comprehensive medical quality monitoring solutions, regional health management solutions, remote intelligent healthcare solutions and comprehensive medical administration solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group increased its investment in independent research and development to improve its technological and product innovation, thereby enhancing the Group's innovation capabilities and technological leadership. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. As of December 31, 2021, the Group had 109 research and development employees with extensive experience in key technical fields of the software industry who focused on the research and development of artificial intelligence and big data solutions. Among them, 98% of the research and development personnel who were engaged in the research and development of products in specific industries such as finance and medical care are familiar with relevant industries, equipped with relevant industry expertise and have experience in developing relevant products for the industries. In 2021, the Group was also further recognised and affirmed by the industry. We have successively received various honours including "Top 100 in Industry Informatisation Competitiveness for 2021 – Top 20 in Software Information Services (2021行業信息化競爭力百強—軟件信息服務20強)","Top 10 Leading Enterprises in the Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍企業)", the "Digital Innovation Model Award for 2021 (2021年度數字化創新典範獎)", "Top 50 Pioneer Enterprises in China's Financial Digital Transformation (中國金融數字化轉型先鋒企業 TOP50)" and the "Bank AI + RPA Innovative Service Provider (銀行AI+RPA創新服務企業)". Our products and solutions have also won many credentials such as the "Best Banking Artificial Intelligence Solution for 2021 (2021最佳銀行業人工智能解決方案獎)", "Top 10 Outstanding Projects in the Global Fintech Application Scenario Competition for 2021 (2021全球金融科技應用場景大賽十大優秀項目獎)" and the "Best IT-based Solution in the Medical Industry for 2021 (2021醫療行業信息化最佳解決方案)".

In 2021, the Company established new branch companies and subsidiaries in Xinjiang, Hainan and other places and invested in joint ventures and associate companies to expand its business coverage, diversify product types, cultivate a market ecology relating to technological innovation, increase its penetration rate in regional markets and promote strategic expansion across the country. In addition, the Group has successively carried out strategic cooperation with a number of enterprises including Beijing Kingsoft Cloud Network Technology Co., Ltd. (北京金山雲網絡技術有限公司), iSoft Infrastructure Software, Huakun Zhenyu and ICBC Technology in key technology fields such as artificial intelligence, so as to achieve joint development and deepen partnership, and help accelerating the development of the Company's business by relying on the advantages enjoyed by various strategic partners in industry status, customer resources, technical experience, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

Looking ahead, the year of 2022 is the first year for China's economy to resume to normal after the impact of the COVID-19 pandemic has subsided, which is directional for the start of the "14th Five-Year Plan". The period of the "14th Five-Year Plan" is known as an important opportunity period for IT-driven innovation to lead high-quality development, and a new stage for domestic informatisation to accelerate digital development and build a digital China. The Group will join hands with professional digital partners to promote the process of industrial digitalisation, bravely embrace new challenges brought about by the changing market and social environment, and deeply identify new opportunities and new spaces. Driven by policy dividends, the Group will continue to promote the application of cutting-edge technologies and the continuous innovation of solutions. The Group will rely on its profound knowledge in specific industries and extensive technical expertise in cutting-edge technology fields, further learn from the advantageous service experience accumulated in specific industries such as finance and medical care, and promote and apply innovative solutions to customers in general fields. By helping customers carry out more in-depth and accurate deployment in terms of improving work efficiency, controlling service quality, reducing labour costs, accelerating market promotion and targeting customer groups, the Group will provide customers with more innovative high value-added solution services which can effectively reduce their costs and increase their production value, establish and maintain long-term trustworthy relationships with customers, and continuously provide customers with product upgrade services to meet the changing needs of its large and stable customer base.

We are confident about our business prospects in the future. In 2022, we will increase our efforts in technology research and development and marketing, further strengthen the development of key technologies and SaaS service areas for artificial intelligence and big data analysis applications, promote innovative generic products such as RPA solutions to a wider range of customers and expand the application scope of innovative solutions in specific industries such as finance and medical care. In addition, we will also actively seek target companies with appropriate technology, customer base or operating model in the target market to explore possible acquisitions, deepen and expand strategic partnerships and explore partnership models, thereby further expanding the regional market. In the meanwhile, on top of the refinement of our business, the recruitment of outstanding technical personnel and the expansion of customer base, we will strive to gradually expand the Company's development blueprint and create long-term value for the investors.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group derived all revenue from the IT solution service business. The IT solution service business of the Group is to provide customers with various solutions comprising software development services, technical and maintenance services, sales of standard software and other services and products by applying IT technology according to their needs. Depending on the specific application technology, the Group's IT solutions can be divided into traditional solutions and innovative solutions, among which innovative solutions are solutions powered by key technologies such as artificial intelligence and big data analysis. During the Reporting Period, the Group's innovative solutions were applied not only in specific industries such as finance and medical care, but also in general industries; while its traditional solutions were mainly used in the finance industry.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group recorded a revenue of RMB205.8 million, representing an increase of 16.9% from RMB176.1 million in 2020, mainly due to (1) revenue from our innovative solutions powered by artificial intelligence and big data analysis technologies recorded a year-on-year increase of 95.9% from RMB60.8 million to RMB119.1 million, accounting for 57.9% of total revenue in 2021; and (2) revenue from our traditional IT solutions remained basically stable, achieving a revenue of RMB86.7 million in 2021. In 2021, the growth in the Group's revenue was mainly due to the increased revenue from the innovative solutions.

The following analysis sets forth a breakdown of our revenue for the year of 2020 and 2021, respectively[Note].

Software development services
Our revenue generated from software development services increased by 17.9% from RMB132.1 million in 2020 to RMB155.7 million in 2021. Among the revenue generated from software development services, revenue from its innovative solutions amounted to RMB83.5 million, representing a year-on-year increase of 123.9%. During the Reporting Period, the Group's innovative solutions that generate revenue through the software development service model mainly include Robotic Process Automation ("**RPA**") solutions, smart park solutions, medical and health care big data intelligent management solutions and solution services powered by a series of technologies such as data mining and analysis, cloud-based computing, distributed database management, intelligent control, knowledge graph and deep learning, which were sold to financial institutions, medical institutions, large sized state-owned and private enterprises, etc.

Technical and maintenance services
Our revenue generated from technical and maintenance services in 2021 amounted to RMB17.1 million, representing a slight decrease of 2.3% from RMB17.5 million in 2020.

Sales of standard software
Our revenue generated from sales of standard software increased by 23.7% from RMB26.6 million in 2020 to RMB32.9 million in 2021. Among the revenue from sales of standard software, revenue from its innovative solutions amounted to RMB30.3 million, representing a year-on-year increase of 30.8%. During the Reporting Period, the Group's innovative solutions that generate revenue through the sales of standard software mainly include products such as the standardized RPA platform, the medical quality control and safety warning platform, and the intelligent healthcare platform.

Cost of sales

Our cost of sales increased by 56.6% from RMB83.7 million in 2020 to RMB131.1 million in 2021, mainly due to the increase in technical staff and remuneration, the prolonged project implementation as a result of the long-term impact of the novel coronavirus (COVID-19) pandemic, the increase in cost investment as well as the increased procurement scale of hardware and software to accelerate the promotion of our innovative solutions.

Note: In 2021, the Group increased the promotion of its artificial intelligence and big data analysis solutions in various fields. In addition to maintaining its advantages of serving specific industries, such solutions were further applied to large and medium-sized state-owned and private enterprises, and were extended to various customers in coal power, the Internet of Things, the Internet, information technology services and other sectors. The Group also further captured a higher market share through strategic cooperation. As the original revenue breakdown by customer type can no longer reflect the Group's business development direction, nor can it show accurate breakdowns, the Group presents its revenue breakdown by software development services, technical and maintenance services, and sales of standard software.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Our gross profit decreased by 19.3% from RMB92.4 million in 2020 to RMB74.6 million in 2021. Our gross profit margin decreased from 52.5% in 2020 to 36.3% in 2021, mainly attributable to, in addition to the slower year-on-year growth of our revenue as compared with that of our cost of sales with reasons as discussed above, we made appropriate adjustments to the business expansion method and sales pricing strategy for some innovative solutions in order to rapidly expand the innovative solution market, increase its market share and maintain sufficient market opportunities.

Other income and gains

In 2021, the Group's other income and gains were RMB3.5 million, mainly comprising the income from sales of software products which were entitled to the income tax refund upon payment policy, as well as the bank interest income arising from the deposit of IPO Proceeds. Due to the year-on-year increase in revenue from sales of software in 2021, coupled with the fact that the Group was not listed in 2020, the bank interest income arising from the deposit of the IPO Proceeds was only incurred in 2021, resulting in a significant increase of 70.0% in other income and gains of the Group in 2021 as compared with the same period last year.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB9.7 million in 2020 to RMB11.3 million in 2021, representing a year-on-year increase of 16.5%, mainly due to our increased sales efforts, increased business promotion expenses, as well as the increased remuneration of marketing personnel as a result of the increase in sales activities following the stabilization of the COVID-19 pandemic.

Administrative expenses

In 2021, our administrative expenses remained relatively stable as compared with 2020, slightly increased from RMB30.4 million in 2020 to RMB31.2 million in 2021. Our administrative expenses mainly comprise (1) listing expenses and post-listing intermediary fees; and (2) employee-related salaries, benefits and bonuses.

Research and development costs

In 2021, our research and development costs were RMB10.9 million, which remained relatively stable as compared with 2020. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. The increase in research and development investment of the Group was mainly due to the increase in the number of research and development personnel from 55 as at the end of 2020 to 109 as at the end of 2021 as well as our increased investment in hardware and software equipment required by the research and development work. Since its listing, the Group has invested heavily in research and development. On the one hand, it has invested in the research and development of corresponding solutions according to the utilization plan of the raised funds; and on the other hand, it has also invested heavily in the research and development of technologies related to artificial intelligence and big data analysis. In 2021, the Group developed 40 items of software copyrights, including 32 items of software copyrights formed by developing or upgrading innovative solutions, accounting for more than one third of the total 91 items of software copyrights that the Group possessed as at the end of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

In 2021, our other expenses amounted to RMB8.6 million, representing a substantial increase from RMB1.3 million in 2020, mainly due to losses arising from changes in exchange rates, impairments of accounts receivable and contract assets.

Finance costs

In 2021, our finance costs remained relatively stable as compared with 2020, slightly increasing from RMB0.8 million in 2020 to RMB1.1 million, mainly due to the increase in interest on bank borrowings.

Profit before tax

As a result of the foregoing, we recorded profit before tax of RMB17.0 million in 2021, representing a decrease of 57.8% from RMB40.3 million in 2020.

Income tax expenses

Our income tax expenses decreased by 51.8% from RMB8.3 million in 2020 to RMB4.0 million in 2021, mainly due to the decrease in profit before tax resulting in the decrease in income tax expense.

Profit for the year

Our net profit decreased from RMB32.0 million in 2020 to RMB13.0 million in 2021. Although profit for the year of the Group in 2021 recorded a year-on-year decrease of 59.4%, the Group's business is still in a period of rapid development, and the industry in which we operate and our strategic development goals remain unchanged. Such decline in profit in 2021 was mainly attributable to the prolonged project implementation as a result of the long-term impact of the pandemic, the increase in cost investment, and the requisite short-term adjustments to the Group's innovative solutions in the development stage in order to capture more development space and customer base in the future. From the perspective of the Group's long-term development, it is urgent to accelerate the pace of promoting its innovative solutions.

Liquidity, capital resources and capital structure

In 2021, our primary uses of cash were to fund our working capital requirements and research and development of our IT solutions. We financed our capital expenditures and working capital requirements principally with cash generated from our operations and bank borrowings.

Our bank borrowings as of December 31, 2021 amounted to RMB5.0 million, which will be mature on May 19, 2022, with fixed interest rate of 4.6% per annum. All of our bank borrowings was primarily used for our daily operation and business expansion.

The Group continued to maintain a healthy and sound financial position. Our net current assets increased from approximately RMB172.4 million as of December 31, 2020 to approximately RMB768.3 million as of December 31, 2021. Our cash and cash equivalents increased from approximately RMB69.1 million as of December 31, 2020 to approximately RMB524.3 million as of December 31, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to exchange rate fluctuation

For the year ended December 31, 2021, most of the Group's monetary assets were mainly denominated in Hong Kong dollars and Renminbi. Exchange rates are affected by local and international economic developments and political changes, as well as the supply and demand of Renminbi. Any appreciation or depreciation of Renminbi against Hong Kong dollars may affect the Group's results. The Group currently has not implemented any foreign currency hedging policy, but the management will closely monitor the risks and will consider the hedging of significant foreign currency risks when necessary.

Commitments

The Group has various contracted, but not provided short-term lease commitments at the end of 31 December 2021 (2020:nil). The future lease payments for these non-cancellable lease contracts are RMB287,000 due within one year.

Contingent liabilities

As of December 31, 2021, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and this report, as of December 31, 2021, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

On August 15, 2021, the Company, Samton (Cayman) Holdings Limited (the "**Target Company**"), the Vendors and the Guarantors (as defined in the Announcements) entered into a share purchase agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire 100% of the issued share capital of the Target Company. The maximum consideration for the acquisition is RMB486 million. On February 15, 2022, as certain conditions precedent under the share purchase agreement had not been satisfied or waived on the long-stop date and the parties thereto had not agreed to extend the long-stop date, the Company (as the purchaser) had exercised its right to terminate the share purchase agreement by serving a written notice. For details, please refer to the announcements of the Company dated August 15, 2021 and February 15, 2022 (the "**Announcements**").

Save as disclosed above, in 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments

In 2021, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on the Group's assets

As of December 31, 2021, we had no charges on our assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Risks and Uncertainties

Due to the long-term impact of the novel coronavirus (COVID-19) pandemic, the implementation period of our projects has been extended with increased cost investment. In addition, we were also exposed to credit risks of our customers, our outstanding trade receivables and trade receivables turnover days remained at a relatively high level. As of December 31, 2020 and December 31, 2021, our trade receivables amounted to RMB107.2 million and RMB178.7 million, respectively. Our trade receivables turnover days in 2020 and 2021 were 186 days and 264 days, respectively. We recorded a large amount of receivables from certain customers with whom we have maintained a long-term business relationship, primarily including top-tier banks, trust companies, asset management companies and Class III Grade A hospitals, which are in good standing and have strong creditworthiness. However, such customers normally have stricter internal payment and settlement processes in addition to the long-term impact of the pandemic, which have led to a longer payment cycle of such customers.

We have constantly improved our cash flow position by (1) maintaining strict control over our outstanding trade receivables and minimizing credit risk exposure; (2) implementing detailed polices covering reimbursement management, cash management, budget management and credit management; (3) constantly refining our fund management and detailing our use of fund; (4) improving employees' productivity through regular training and optimized staff allocation; and (5) obtaining bank facilities to supplement our working capital.

Key Financial and Business Performance Indicators

The key financial and business performance indicators comprise profitability growth and return on equity.

Our return on equity decreased from 16.6% for 2020 to 1.6% for 2021, primarily due to the increase in our equity as a result of the listing of our Company and the decrease in net profit.

Our gearing ratio decreased from 7.5% as of December 31, 2020 to 0.6% as of December 31, 2021, primarily due to the increase in our total equity following our listing in 2021. The calculation of gearing ratio is based on total borrowings divided by total equity as of year end and multiplied by 100.0%.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICE

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

As the Shares were listed on the Listing Date, being on January 6, 2021, the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**", as new CG Code will be effective from January 1, 2022 (the "**New CG Code**"), but the CG Code used in this report is referred to the CG Code on or before December 31, 2021 but not the New CG Code) was applicable to the Company since the Listing Date. The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Group's corporate governance practices. Save as disclosed in this report, the Group has complied with the CG Code from the Listing Date to December 31, 2021. The Company will periodically review on its corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code effective from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code from the Listing Date to December 31, 2021.

BOARD OF DIRECTORS

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

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

Board Composition

The composition of the Board and the Board committees during the Reporting Period and as of the date of this annual report are as below.

Executive Directors
Mr. ZHAI Shuchun *(Chairman and Chief Executive Officer)*
Ms. QIAO Huimin
Ms. QIN Yi
Mr. LI Xiaodong

Independent non-executive Directors
Mr. TANG Baoqi
Mr. YE Jinfu
Ms. YANG Juan *(appointed on 30 November 2021)*
Ms. JING Liping *(resigned on 30 November 2021)*

CORPORATE GOVERNANCE REPORT

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period and up to the date of this annual report, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

Save as work relationship at the Company, none of the Directors has any relationship with any other Director or chief executive.

Meetings of Board and Board Committees and Directors' Attendance Records

Pursuant to code provision A.1.1 of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication.

During the Reporting Period, the Chairman has held a meeting with the independent non-executive Directors without the presence of other Directors.

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

	Attendance/Number of Meeting(s)				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. ZHAI Shuchun	8/8	N/A	2/2	2/2	1/1
Ms. QIAO Huimin	8/8	N/A	N/A	N/A	1/1
Ms. QIN Yi	8/8	N/A	N/A	N/A	1/1
Mr. LI Xiaodong	8/8	N/A	N/A	N/A	1/1
Mr. TANG Baoqi	8/8	2/2	2/2	22	1/1
Mr. YE Jinfu	8/8	2/2	N/A	N/A	1/1
Ms. YANG Juan (note 1)	2/2	0/0	0/0	0/0	N/A
Ms. JING Liping (note 2)	6/6	2/2	2/2	2/2	1/1

Notes

1. Ms. Yang Juan was appointed as an independent non-executive Director with effective from 30 November 2021.

2. Ms. JING Liping resigned as an independent non-executive Director with effective from 30 November 2021.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The roles of the Chairman and

CORPORATE GOVERNANCE REPORT

the CEO are held by Mr. ZHAI Shuchun. With extensive experience in the information technology industry, Mr. Zhai is responsible for the overall strategic planning and general management of the Group and is instrumental to our growth and business expansion. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group and ensures consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

Confirmation of Independent Non-executive Directors

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

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company on December 5, 2020 for an initial term of three years commencing from December 5, 2020.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under Article 16.19 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), 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 at an annual general meeting at least once every three years.

Article 16.2 of the Articles also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of members 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. Such Director required to stand for re-election pursuant to Article 16.2 of the Articles shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation under Article 16.19 of the Articles.

Ms. YANG Juan was appointed as independent non-executive Director on 30 November 2021, pursuant to Article 16.2 of the Articles, she is required to retire at the 2022 AGM and is eligible for re-election.

Pursuant to Article 16.19 of the Articles, there should be 2 Directors who shall retire from office by rotation and be eligible, offer themselves for re-election at the 2022 AGM, Mr. TANG Baoqi and Mr. YE Jinfu each being an independent non-executive Director of the Company, will retire from office and, being eligible, offer themselves for re-election at the 2022 AGM.

As a result, Ms. YANG Yuan, Mr. TANG Baoqi and Mr. YE Jinfu as independent non-executive Directors will retire and be eligible for themselves for re-election at the 2022 AGM.

CORPORATE GOVERNANCE REPORT

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 can bring independent judgment to the decision-making process of our Board.

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 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 coordinating the daily operation and management of the Company are delegated to management team.

The Company has arranged appropriate liability insurance 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

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and relevant regulatory requirements.

In accordance with code provision A.6.5 of the CG Code with regards to continuous professional development, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. The Company also arranges trainings to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

CORPORATE GOVERNANCE REPORT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

The Company organized training on duties and responsibilities of directors and seminar on updated laws and regulations for the Directors. Pursuant to code provision A.6.5 of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge. Based on the records provided by the Directors, the continuous professional development taken by each of the Directors during the year ended 31 December 2021 is summarised as follows:

Name of Directors	**Training Attended (Note 1)**
Mr. ZHAI Shuchun	√
Ms. QIAO Huimin	√
Ms. QIN Yi	√
Mr. LI Xiaodong	√
Mr. TANG Baoqi	√
Mr. YE Jinfu	√
Ms. YANG Juan (appointed on 30 November 2021)	√ (Note 2)
Ms. JING Liping (resigned on 30 November 2021)	√

Notes:

1. All the Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs. Materials about anti-fraud and anti-corruption were provided by our Internal Audit Department to all of Directors.

2. Ms. Yang Juan was appointed as an independent non-executive Director and received a comprehensive, formal and tailored induction on her appointment.

BOARD COMMITTEES

The Board has established three committees on December 5, 2020, namely, the Audit Committee, Remuneration Committee and Nomination Committee, with terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules, for overseeing particular aspects of the Company's affairs. The specific written terms of reference are to deal clearly with their authority and duties, which are posted on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. At the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. YE Jinfu, Ms. YANG Juan (appointed on 30 November 2021), and Mr. TANG Baoqi, with Mr. YE Jinfu being the chairman of the committee.

The primary duties of the Audit Committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, reviewing our Group's financial information and disclosures, and overseeing our Group's financial reporting system, risk management and internal control systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee has held two meetings and performed the following works, among others:

(i) reviewed the Group's annual audited financial statements for the year ended December 31, 2020 and interim unaudited financial statements for six months ended 30 June 2021;

(ii) reviewed the Group's internal control system and related matters; and

(iii) considered and made recommendations on the re-appointment of the external auditors of the Group, and the term of engagement.

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. At the date of this annual report, the Remuneration Committee consists of three members, namely Ms. YANG Juan (appointed on 30 November 2021) and Mr. TANG Baoqi as independent non-executive Directors, as well as Mr. ZHAI Shuchun as the Chairman and executive Director, with Ms. YANG Juan being the chairwoman of the committee.

The primary functions of the Remuneration Committee include, among other things, making recommendations to the Board for approval on our Group's remuneration policy and plan of all Directors and senior management, and the proposal of remuneration distribution plan according to the performance evaluation of Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Remuneration Committee has held two meetings for reviewing the remuneration of the Directors and senior management and the performance of them annually and the change of independent non-executive Directors.

Nomination Committee

The Company has established the Nomination Committee in compliance with the CG Code. At the date of this annual report, the Nomination Committee consists of three members, namely Mr. TANG Baoqi and Ms. YANG Juan (appointed on 30 November 2021) as independent non-executive Directors, as well as Mr. ZHAI Shuchun as the Chairman and executive Director, with Mr. TANG Baoqi being the chairman of the committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors and senior management, making recommendations to the Board on the nomination of candidates for Director, president, secretary of the Board and chairmen and members of the Board committees, and assessing the independence of independent non-executive Directors.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee has held two meetings for reviewing the independence of the independent non-executive Directors, considering the qualifications, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service, of the retiring Directors standing for re-election at the 2022 AGM, reviewing the structure, size and composition of the Board and reviewing the board diversity policy (the "Board Diversity Policy"), as well as the change of independent non-executive Directors.

Remuneration of Directors and Senior Management

Please refer to Note 8 to the consolidated financial statements for details of remuneration of members of the Board for the year ended December 31, 2021.

Details of the remuneration by band of senior management of the Company, whose biographies are set out on pages 13 to 16 of this annual report, for the year ended December 31, 2021 are set out below:

CORPORATE GOVERNANCE REPORT

Remuneration band (RMB)	Number of individuals For the year ended December 31	
	2021	2020
0 – 500,000	**2**	2
500,001 – 1,000,000	**3**	3
	5	5

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

During the Reporting Period and up to the date of this annual report, our Board comprises seven members, including four executive Directors and three independent non-executive Directors. The Directors have a balanced mix of knowledge, skills, gender, perspectives and experience, including finance and healthcare IT solution service, software development, business management and strategic development, investment and accounting. They obtained professional and academic qualifications including computer science, accounting, economics and journalism. Furthermore, the Board has a wide range of age and a balanced mix of gender, skills, professional experience and knowledge. As a result, it is not necessary to further set any measurable objectives for implementing the board diversity policy.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code, and will review the Board Diversity Policy and evaluate the implementation of the Board Diversity Policy from time to time, at least annually, to ensure its continued effectiveness and will set measurable objectives when necessary.

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 recognizes that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

4. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

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 management team and overseeing their design, implementation and monitoring of the risk management and internal control systems.

In addition, the Company has various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. The Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to the Company's business sustainability.

The Company has developed system of internal control and risk management for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company. The Company has established a separate internal audit department, which is responsible for reviewing the Group's internal control and risk management system and supporting the Board in assessing the effectiveness of such system annually.

The main features of the risk management and internal control systems are as follows:

- The Board is responsible for overseeing the established risk management and internal control systems to ensure core values, strategic planning and operational procedures and communications within the Group are effective. The Board also evaluates and determines the nature and extent of risks to endorse in pursuit of the Group's strategic and business objectives;

- Risk management and internal control functions assist the Board to ensure that Group's effective implementation of framework, policies, procedures and controls are in place. Risk management function initiates a risk management plan and prioritises the Group's key risks as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruption or non-compliance with applicable rules and regulations. The identified risks are evaluated based on the likelihood of occurrence and magnitude of impact should the risks materialise;

CORPORATE GOVERNANCE REPORT

- Internal audit function will perform independent appraisal of major operations on an ongoing basis and to provide independent assurance to management, Audit Committee and the Board; and

- Appropriate risk mitigating activities are in place including identification of risks and corresponding mitigating controls to achieve its business objectives across the entity.

- For any material internal control defects, the management will identify the internal control deficiencies, review the control activities and procedures and amend the necessary internal policy and procedures, if necessary. It will be reported to the Board and the Audit Committee, at least annually.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules. We would conduct its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. It is strictly prohibited to use inside or confidential without proper authorization. The Company ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with timely updates on Company's performance, positions and prospects.

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

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditors, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2021, details of which are set out below:

Service Category	Fee Paid/Payable (RMB) For the year ended 31 December	
	2021	2020
Audit services: Annual Audit	**2,200,000**	1,800,000
Non-Audit services: Initial Public Offering	**0**	7,680,000
Total	**2,200,000**	9,480,000

JOINT COMPANY SECRETARIES

Ms. ZHANG Xiushi and Ms. HO Wing Nga have been appointed as the Company's joint company secretaries. See the section headed "Directors and Senior Management – Joint Company Secretaries" in this report for their biographies.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. ZHANG Xiushi, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. HO Wing Nga on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, Ms. ZHANG Xiushi and Ms. HO Wing Nga undertook not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

According to the dividend policy adopted on December 5, 2020, the Articles and applicable laws and regulations, the Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Company currently does not have a pre-determined or fixed dividend payout ratio. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment. The determination to pay dividends will be made at the discretion of the Directors and will depend upon, among others, the financial results, business conditions and strategies, future operations and earnings, capital and investment requirements, level of indebtedness, and other factors that the Directors deem relevant.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

Shareholders' Rights

The Company engages with its shareholders through various communication channels.

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

Convening an Extraordinary General Meeting at the Request of Shareholders

Pursuant to Article 12.3 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the written requisition of any one or more Shareholders holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings by Shareholders

There is no provision allowing the Company's shareholders to put forward new resolutions at general meetings under the Companies Law of the Cayman Islands or the Articles of the Company. The Company's shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

For Shareholders' right to nominate candidates for directors, please refer to "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" on the website of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company, the contact details of which are contained on the website of the Company (https://www.xnewtech.com).

CORPORATE GOVERNANCE REPORT

Communication with Shareholders and Investors

The Company considers that effective communication with its 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 meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Policies relating to Shareholders

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

CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company has been amended and restated with effect from the Listing Date. There was no change in the Articles of Association from Listing Date and up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

Contents

This environmental, social and governance (ESG) report mainly focuses on disclosing the Group's key actions and performance in environmental, social and governance (hereinafter referred to as "ESG") related aspects in 2021. This report should be read in conjunction with the *Corporate Governance Report* section in our Annual Report to help readers understand our performance in ESG related aspects more comprehensively.

Reporting scope

Unless otherwise stated, the scope of this report includes the Company and its subsidiaries and is consistent with that of the prior year, so as to ensure the integrity. The report covers the period from 1 January 2021 to 31 December 2021.

Basis of preparation

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as the *ESG Reporting Guide*) set out in Appendix 27 of the Main Board Listing Rules issued by the Hong Kong Exchanges and Clearing Limited.

Reporting principles

Materiality: Stakeholders were invited to get involved in the identification of and materiality assessment on ESG related topics, and the assessment results have been reviewed by the board of directors and disclosed in the report.

Quantitative: In this report, quantitative data related to environmental and social aspects, as well as the standards and methods for collection and calculation of such data are disclosed, and quantitative environmental management objectives are set for energy conservation, water saving, emission reduction and waste reduction.

Consistency: The statistical methods of data disclosed in the report are in consistency with those of the prior year, and data in the report are comparable in the future.

II. ABOUT US

Newlink Technology Inc. is a technology-driven IT solution provider based on independently developed software products. It focuses on providing digital construction services for the real economy all the year around, and has formed information service advantages in the financial industry, medical industry and other specific industries.

Concepts and visions

We have always been adhering to the business value of "integrity-based, pioneering and innovative, service-oriented, and mutual development" and are committed to a harmonious development of economy, society and the environment. We actively respond to the demands of our stakeholders and strive to fulfill corporate social responsibilities while protecting the interests of shareholders and investors.

We actively identify and strictly abide by ESG relevant national and regional laws and regulations, and actively enforce integrating our ESG concept into our operation and management process, to reduce environmental impact while achieving our business goals, promoting employee development, establishing a reliable partnership with business partners and suppliers, and creating social values.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Statement of the board of directors

The Group and the board of directors abide by the related requirements as specified in the *ESG Reporting Guide*.

ESG structure: The board of directors is fully responsible for the supervision of the Group's ESG related matters, and the ESG working group which is composed of ESG committee of management and functional departments is responsible for performing specific ESG tasks and continuously promoting our ESG work.

ESG management policies and strategies: The board of directors attaches importance to significant impacts that ESG risks may have on us. Therefore, every year, the board of directors will optimize ESG key topics based on ESG risks identification and communication results with stakeholders and conduct materiality assessment of ESG topics through stakeholders' research, to prioritize ESG topics and clarify working emphasis of ESG. This year, the materiality analysis results of ESG topics have been reviewed by and discussed with the board of directors.

Objectives and review of progress: We have set environmental objectives related to business operation this year, and the objectives cover such KPIs as greenhouse gas emissions, use of resource and waste management. The board of directors has reviewed and discussed the objectives and the implementation progress.

The board of directors reviewed and approved this report on 31st March 2022.

ESG governance structure

The Group highly values the ESG management and has established a practical and well-defined ESG governance structure, to integrate ESG concepts into our daily operation. As the top ESG managerial body of the Group, the board of directors is responsible for making overall ESG decisions, including formulation of related policies & strategies, reviews of annual ESG reports, and establishing a management ESG committee at senior management level, which is responsible for coordinating ESG related issues, including collection of ESG performance information, preparation of ESG reports and communication with investors. In addition, the ESG working group which is composed of Talent Strategy Department, HR Center, Administration Department and other functional departments and branches & subsidiaries is responsible for scheduling and promoting the implementation of specific ESG work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. STAKEHOLDERS PARTICIPATION AND MATERIALITY ASSESSMENT

We proactively listen and respond to the opinions of stakeholders and communicate with them via various channels. We understand and evaluate stakeholders' ESG concerns obtained through our established communication process which is a key attribute of the ESG governance and work planning. Based on the characteristics of the business, we identified our main stakeholders and their ESG concerns as set out in the table below:

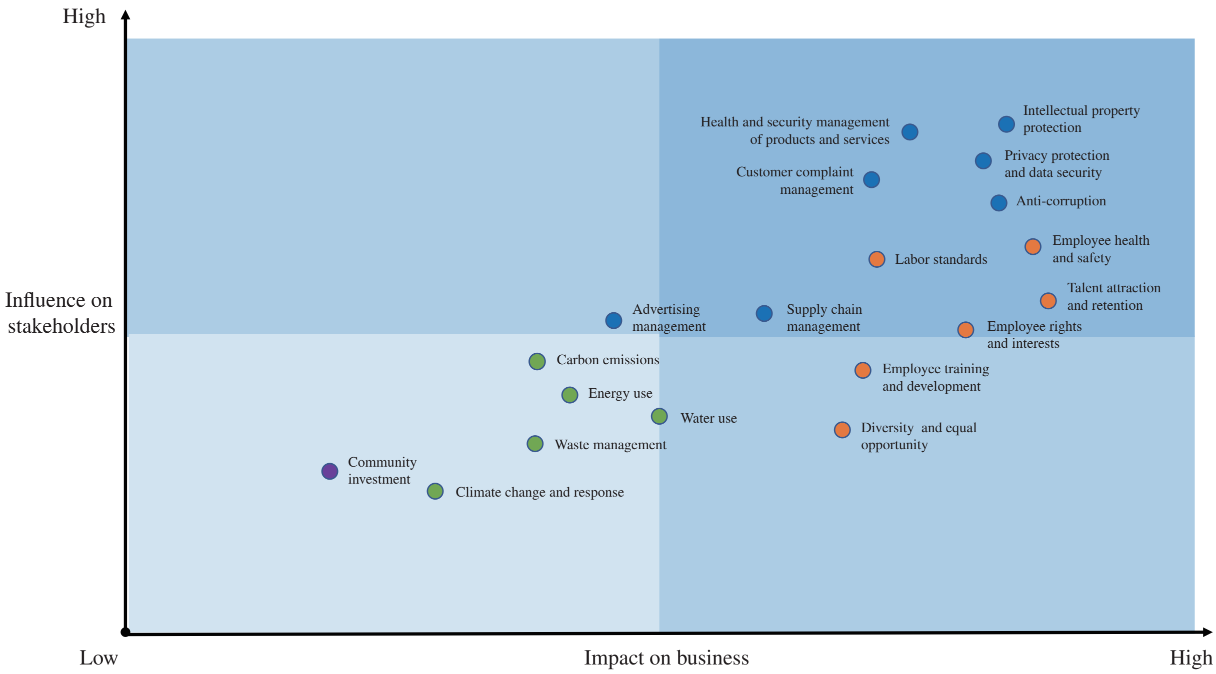
Stakeholders	Main ESG concerns	Main communication channels
Employee	Talent attraction and retention Employee rights and interests Employment training and development Employee health and safety	Employee performance appraisal and feedback Internal communication meeting Internal announcements and emails
Government and regulatory agency	Anti-corruption Health and security management of products and services Talent attraction and retention Labor standards	Information disclosure Documents reporting/submission Face-to-face discussion and communication Site inspection Policy and regulation enforcement inspection
Investor/shareholder	Health and security management of products and services Employee rights and interests Anti-corruption Climate change	General meeting of shareholders Performance report Key public announcement
Supplier	Supply chain management Health and security management of products and services Advertising management Anti-corruption	Supplier management system Supplier evaluation Face-to-face communication
Client	Health and security management of products and services Customer complain management Community investment Environment and natural resources	Daily business communication Service complaint and response
Community	Community investment	Participating in community activities Volunteer services

In this year, based on our effective communication with main stakeholders and results of questionnaire surveys, we conducted substantial analysis on the ESG topics relating to 11 aspects as listed in the *ESG Reporting Guide*, and classified the contents of ESG topics in detail which were divided into 19 sub-topics. The purposes here are comprehensively understanding stakeholders' evaluation and expectation of the Group, clarifying the working emphasis of ESG and satisfying the demands of stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Imperative topics we identified include intellectual property protection, health and security management of products and services, privacy protection and data security, customer complaint management, employee health and safety, anti-corruption; important topics include labor standards, talent attraction and retention, employee rights and interests, employee training and development, supply chain management, advertising management, diversity and equal opportunity, water use, energy use, waste management, carbon emissions, climate change and response and community investment.

The results of substantial analysis on ESG topics materiality in 2021 are as follows:



IV. AWARDS THIS YEAR

- Won the top ten outstanding projects in 2021 Global FinTech Application Scenario Games
- Won the Outstanding Project Award in the 2021 Global Internet Competition of "Straight to Wuzhen" Final
- Won the Huaxin Award on the Banking Digital Innovation(China) Summit: Banking AI+RPA Innovation Service Enterprise
- Won the 2021 top 100 Enterprises of Industry Informatization Competitiveness
- Won the 2021 Best Solution of Medical Industry Informatization
- Won the 2021 China HR Best Employer Award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Won the 2021 Top Ten Leading Enterprises in Artificial Intelligence Industry
- Won the 2021 Digital Innovation Model Award
- Won the top 50 China's Leading Enterprises in Financial Digital Transformation
- Won the 2021 best banking AI solution Award
- Won the 2021 Royal Flush Enterprise "Investment and Customs Pioneer Award"
- Won the "Best Small and Mid-Cap Company" Award of Golden Hong Kong Shares

V. ENVIRONMENTAL MANAGEMENT

As an IT solution service provider based on independently developed software products, the Group's main environmental impacts come from office electricity, water and paper consumption, as well as emissions from vehicles for business purposes. To create green office environment, we apply the low-carbon environmental protection concept in the whole process of operation and management, make sustained efforts to implement the energy conservation and environment protection system, cultivate low-carbon and environmentally friendly habits of employees and minimize wastes and pollutions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2021, we have identified risks and opportunities related to climate change, set environmental objectives based on the characteristics of our operations, and will fulfill our commitment to low-carbon operations with practical actions.

Objective of greenhouse gas emissions:

- By the end of 2030, the per capita electricity consumption will be decreased by 30% compared with that in 2020.

Objective of energy use:

- By the end of 2030, the per capita gasoline consumption will be decreased by 25% compared with that in 2020.

Objective of water use:

- By the end of 2030, the per capita water consumption will be decreased by 25% compared with that in 2020.

Objective of waste management:

- Since 2021, waste sorting is implemented in all our operating areas.

- Since 2021, all our operating areas realize 100% compliance-based handling of hazardous waste.

1. Emissions

The Group continuously implements the corporate responsibility in environment protection in strict accordance with the applicable regulations and laws including, the *Environmental Protection Law of the PRC*, the *Energy Conservation Law of the PRC*, the *Environmental Prevention and Control Law of Solid Waste Pollution of the PRC*, and other regional environmental regulations such as the *Beijing Municipal Domestic Waste Management Regulations*.

We take measures to reduce emissions from operations, such as developing scientific and effective management methods for regulating electronic wastes and company vehicles. Idle computers that are still performing are re-used to reduce e-waste and improve the Group's utilization of resources. In addition, we never buy vehicles with sub-standard exhaust emissions and have formulated a strict management system for the use of our vehicles. We expedite replacing obsolete vehicles that do not meet the requirements of energy saving and environmental protection and manage our vehicles uniformly from refuelling to insurance, to scientifically verify fuel quota and reduce fuel consumption for single vehicle. We encourage our employees to take public transportation to reduce carbon emission.

We sort out office wastes into recyclable waste, hazardous waste, kitchen waste and other waste in strict accordance with the waste sorting requirements in our operating areas. Besides, we provide sorting recycling bins for paper. We put hazardous wastes generated during operation, such as used batteries, toner cartridges and ink cartridges in a place that is separately arranged for hazardous wastes, and periodically deliver the wastes to qualified third parties for compliance-based disposal. Moreover, we carry out training on waste sorting to raise awareness of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Use of resource

We have formulated policies and put in place the *Energy Conservation and Emission Reduction Management Measures* to improve the efficient use of resources, including use of water, electricity and office consumables in operating areas, and pursue a low-carbon and energy-saving operation mode. We also make statistics of the resource consumption in the operating areas to comprehensively manage the use of resources. In response to the call for green office, we impart the idea of sustainable development frequently to employees to raise their awareness of resource saving and make contributions to energy conservation and emission reduction.

Power management

We tend to purchase and use environmental-friendly and energy-saving appliances, equipment and lighting system and progressively eliminate energy-intensive and low-efficient ones to save energy and reduce carbon emissions. In addition, we strictly manage our daily operation of lighting system and use of electrical equipment, to reduce the power consumption, including:

- We use natural lights as much as possible, reduce use of electrical lights and turn off the lights before leaving or not in use in public places such as office areas and conference rooms, during the daytime.

- Before leaving office, employees are required to turn off all indoor electrical facilities such as desktops, water dispensers and lights. In addition, we inspect the office area every day to turn off unnecessary use of lights and air-conditioning equipment.

- We require setting of air-conditioning system at reasonable temperature in offices and conference rooms. The cooling temperature in summer is set not lower than 26°C, and the heating temperature in winter is set not higher than 20°C. When the air conditioner is turned on, we ensure doors and windows are closed.

- We minimize use of office equipment such as computers, copiers, printers, and paper shredders, which are set with automated low-power sleep modes or are timely turned off when not in use to reduce power consumption.

Water management

The Group has taken internal reconstructive measures for water saving, such as gradually replacing with water-saving switches and sanitary ware. In addition, we regularly inspect and maintain water supply facilities such as concealed water pipes and faucets to prevent water leakage and unnecessary waste. We post up conspicuous water saving marks at water supply facilities to raise awareness of water saving.

Office supplies saving

Office supplies are the main resources used by the Group. We continue to strengthen the management of the use of office supplies and standardize the procurement and requisition process of office supplies to save office supplies. We also encourage employees to share office tools, improving equipment efficiency and reducing procurement and waste.

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We advocate paperless office and make full use of online office system. An online office system is fully used to communicate general notices and transfer data and promote reducing use of paper printing and faxing. We advocate recycling use of paper and double-sided printing as far as possible to improve efficient use of paper.

3. Environment and natural resources

We value the protection of environment and natural resources. Our business operations on its own do not give rise to significant impact on the environment and natural resources. However, we still regard the protection of the environment and natural resources as an important responsibility of the Group and advocate a low-carbon culture within the Group to promote and practice environmental protection and adhere to the path of sustainable development.

Environmental performance indicators

Emissions[1]

Indicators	Year 2021
Total greenhouse gas emissions (scope 1 and scope 2) (tons)[2]	85.77
Greenhouse gas emissions per square meter of floor area (tons/square meter)[3]	0.033
Greenhouse gas emissions per employee (tons/person)	0.136
Direct greenhouse gas emissions (scope 1) (tons)	14.66
Fuel consumption of official vehicles	13.56
Natural gas	1.10
Indirect greenhouse gas emissions (scope 2) (tons)	71.11
Power purchased	71.11
Hazardous waste (kg)[4]	3.2
Hazardous waste per employee (kg/person)	0.0051
Non-hazardous waste (tons)[5]	4.9
Non-hazardous waste per employee (tons/person)	0.0078

Notes:

1 The data covers the Group.

2 Based on the business characteristics, our major air emission is greenhouse gas emissions generated. Greenhouse gas emission inventory includes CO_2, CH_4 and N_2O, which are mainly derived from purchased electricity, natural gas and fuel. Greenhouse gas data is presented in carbon dioxide equivalent and is based on the 2019 China Regional Grid Baseline Emission Factors for Emission Reduction Projects issued by the Ministry of Ecology and Environment of the People's Republic of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventory (2019) issued by the Intergovernmental Panel on Climate Change (IPCC).

3 The main greenhouse gas emission in the administrative office building is the greenhouse gas generated by power consumption. Therefore, the greenhouse gas emission per unit area only calculates the greenhouse gas generated by purchased power in the administrative office building.

4 Hazardous waste generated in the Group's operations are mainly waste toner cartridges and ink cartridges.

5 Non-hazardous wastes generated in the Group's operations mainly include domestic waste, kitchen waste and recyclables, which are processed by a third party. The data is provided by a third-party cleaning company.

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Use of resource

Indicators[1]	**Year 2021**
Total energy consumption (MWh)[2]	162.04
Energy consumption per square meter of floor area (MWh/square meter)	0.07
Energy consumption per employees (MWh/person)	0.26
Direct energy consumption (MWh)	61.02
Natural gas	5.61
Fuel consumption of official vehicles	55.41
Indirect energy consumption (MWh)	101.02
Power purchased	101.02
Water consumption (tons)[3]	349.00
Water consumption per employee (tons/person)	0.55

Notes:

1. Based on the business characteristics, packaging material data is not applicable.

2. The energy consumption is calculated according to the electricity and gasoline consumption and the conversion factors stipulated in the national standard *General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020).

3. The Group's water comes from municipal water supply, and there are no issues in sourcing water that is fit for its operation purpose.

4. Response to climate change

Global climate change will not only cause various extreme weather phenomena, but also threaten global economic and social activities. The Group pays close attention to national policies on climate change and the dynamic development trends, and fully recognizes that climate change brings both risks and new opportunities to promote business development.

Acute climate events caused by climate change, such as frequent flood and rainstorm may disrupt our business and delay our work, while slowly developing risks like extreme temperature days and droughts may increase energy consumption in office building and operation costs. The Group has thought ahead to the impact of extreme weather on its business and employees. In case of occasional extreme weather conditions, we will adopt flexible office practices to ensure the employees' safety and business continuity.

Due to a greater preference of clients for low-carbon products caused by persistent climate change and in the context of China's low carbon economic restructuring, we will face with transformation risks. In this case, if we fail to effectively control or reduce carbon emissions generated by the Company during operation and quickly launch low-carbon products & services, we may see deteriorated corporate image and customer loss in the future. As to business, we are researching and developing low-carbon products and services to accelerate product transformation, while for operation, we have set and are working on environmental objectives that are applicable to the Group.

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Nevertheless, climate change also creates opportunities. For instance, improving energy and water use efficiency and reducing waste emission in work place can reduce the operation costs, and the saved financial costs enable us to be more capable to meet the demands of our employees and run the business better. Meanwhile, the rise of low-carbon restructuring and alternative technologies will develop a new market, increase R&D of new products & services and give more industrial competitiveness to us.

VI. TALENT MANAGEMENT

We know that talent is a key cornerstone for sustainable development of an enterprise. We have always adhered to the people-oriented concept and the business value of "integrity-based, pioneering and innovative, service-oriented, and mutual development". We will keep optimizing talent management system, strive to protect the rights & interests of employees and enable employees to be well-developed both in mind and body. Furthermore, we will improve our reward and welfare mechanism and build a team of high-quality talents, to promote a mutual development of our employees and the Group.

1. Recruitment and employment

The Group strictly abides by the *Labor Law of the PRC*, the *Labor Contract Law of the PRC,* the *Regulation on Work-Related Injury Insurance* and other relevant laws and regulations, and has formulated the *Human Resources Work Manual* that covers management of recruitment, salary, worktime, training, career development, vacation, dismissal and other relevant aspects. The Group regulates employment and enters into labor contracts with employees in accordance with relevant laws and regulations to effectively protect the rights and interests of employees.

As a high-tech company, we always believe that attracting, retaining and motivating talents is essential to the success of the Group. This year, we established a Recruitment Department and built a professional recruitment team to recruit talents who meet the Group's demands through campus recruitment, online recruitment, internal referral, agency recruitment and other channels. Following the principles of openness, fairness and justice in recruitment, we adopt scientific selection methods, and strict and unified recruitment procedures to ensure overall quality of new recruitments meets our requirements. We sign labor contracts with employees in accordance with requirements of relevant laws and regulations, specifying policies that cover salary, vacation and other aspects, to protect the rights and interests of both parties. Further, we have also established a dismissal policy, including work procedures related to resignation and dismissal and relevant compensation regulations, to guide resigned employees through the whole process following company policies and to protect their legitimate rights and interests.

Upholding the principle of "Work-life balance", we have formulated the *Newlink Technology Attendance Management Regulation* policy to regulate and manage employees' attendance. A standard working hour system with established employees' attendance policies is adopted, and a vacation and overtime management system is set up to manage employees' working hours and perform statistical analysis of data, contributing to the work-life balance vision. Management is provided with advanced trainings, which allow them to allocate workload and break time more reasonably. And our employees are entitled to annual leave, wedding leave, maternity leave and other types of leaves in addition to national statutory holidays.

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2. Labor standards

The Group strictly abides by the *Law of the PRC on the Protection of Minors*, the *Provisions on the Prohibition of Child Labor*, the *Provisions on the Special Protection of Minors* and other laws and regulations. Child labor and forced labor are strictly prohibited, and any such recruitment will be immediately terminated in accordance with relevant laws and regulations. The Group conducts due diligence and background vetting procedures of newly recruited employees, and has also formulated proper remedial measures when there are any violations in accordance with laws and regulations. In terms of avoiding forced labor, the Group has established an attendance and vacation management system. In accordance with relevant laws and regulations, the Group provides employees with annual leave and other holidays, monitors the working hours of employees through attendance management and encourages proper leave arrangement to avoid forced labor. In 2021, the Group had no employment of child labor or forced labor.

3. Compensation and promotion

We provide employees with market-competitive salaries, and ensures our employees enjoy legal and fair benefits. Valuing care for our employees, we provide various premiums, including free physical examination, personal accident insurance, communication allowance, holiday gifts, etc. By regularly granting Outstanding Employees awards, we create opportunities for employees to show their work achievements, enhancing their sense of honor, mission and ownership. This would uplift employees' enthusiasm at work to the most extent and improve employee satisfaction.

Pursuing a culture of equality and honoring differences in professions, the Group is committed to creating equal and fair development and promotion opportunities for employees, and ensures that they will not be discriminated against or unfairly treated due to personal characters such as ethnicity, nationality, religion, color, age, gender, marital status, disability or pregnancy. To that end, we have formulated several policies such as *Management Regulations on Staffing Management, Regulations on Employee Development Management, Post Evaluation Related Job Instructions, Management Regulations on the Selection and Appointment of Management Sequence Personnel, Administrative Measures for the Evaluation of Staff Positions, Performance Appraisal System and Employee Code of Conduct*, providing a strong guarantee for employees' development. We develop feasible talent cultivation and pooling plans based on talent structure, offering each employee opportunities to give full play to their talents. Meanwhile, we recruit for vacant positions of all departments and levels from time to time, and employees are allowed to compete for positions as they may to take the best advantage of his/her talents and achieve a career success as the company thrives.

We believe that it is vital to acknowledge and timely respond to employee demands, so effective reporting channels (e.g., hotlines, e-mails, letters) are established for employees to raise their requests and questions，monitor and give feedbacks on violations, where reporters' privacy is properly protected. And we regularly conduct employee satisfaction surveys to gather employees' opinions and suggestions. In 2021, special trainings on communication skills were provided to help our employees communicate more effectively in their daily lives.

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Performance indicators of employment:

Indicators[1]		Year 2021
Total number of employees		637
Total number of employees by gender	Number of male employees	462
	Number of female employees	175
Total number of employees by age	Number of employees aged 30 and below	310
	Number of employees aged 31-50	320
	Number of employees aged over 50	7
Total number of employees by region[2]	Number of employees in Beijing	493
	Number of employees in non-Beijing area	144
Total number of employees by employee category	Number of labour contract employees	635
	Number of service contract employees	2
	Number of senior management	24
	Number of middle management	39
	Number of junior employees	574

1. The employee-related data covers the Group;

2. Data disclosed is based on regions where employees perform duties.

Performance indicators of turnover:

Indicators		Year 2021
Employee turnover rate		34.1%
Turnover rate by gender	Turnover rate of male employees	33.8%
	Turnover rate of female employees	34.9%
Turnover rate by age	Turnover rate of employees aged 30 and below	40.3%
	Turnover rate of employees aged 31-50	28.1%
	Turnover rate of employees aged 51 and over	28.6%
Turnover rate by region	Turnover rate of employees in Beijing	34.7%
	Turnover rate of employees in non-Beijing area	31.9%

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4. Health and safety

The Group strictly abides by occupational health and safety related laws and regulations, such as the *Regulation on Work-Related Injury Insurance,* the *Administrative Measures* for *Assessing the Work Capacity of Employees Sustaining Work-Related Injuries*, the *Occupational Health Inspection and Management Regulations*, and provides employees with necessary health and safety guidelines in workplace. We are committed to ensuring the occupational health and safety of employees. The Group has formulated the *Administrative Measures for Employee Physical Examination* and provides free physical examination once a year for all employees who have been employed for more than one year. The Group provides customized physical examination packages for male employees, female single and married employees. To better care for employees, we upgraded and introduced additional physical examination package this year. In addition, we also organized employee activities such as physical fitness trainings and health and occupational disease lectures, to help enhance and maintain physical and mental health of our employees.

We strive to create a safe workplace for our employees. In accordance with the requirements of relevant laws and regulations, we provide employees with medical insurance, work injury insurance, and personal accident insurance, and establish work injury protection measures. We have put proper arrangements in place in accordance with relevant laws and regulations to ensure that our employees receive timely medical treatment for work injury. We also actively organized fire safety trainings for our employees to enhance their safety awareness. In 2021, the Group had no work-related injury accident.

During the year, COVID-19 situation has been in general stabilized, and prevention and control have become our regular processes. The Group has established routine epidemic prevention rules, and retained the epidemic response team and the self-developed daily health mini-program, to continuously monitor the quarantine and nucleic acid test status of employees in risk areas. Further, certain staff were assigned to the epidemic response team to follow COVID-19 update, monitor employees' daily health conditions, and safeguard the health of employees and customers. In 2021, the Group had no cases of COVID-19 infection.

Performance indicators of work-related injury:

Indicators		Data
Number of work-related fatality for the past three years	Number of work-related fatality in 2021	0
	Number of work-related fatality in 2020	0
	Number of work-related fatality in 2019	0
Annual rate of work-related fatality for the past three years	Rate of work-related fatality in 2021	0%
	Rate of work-related fatality in 2020	0%
	Rate of work-related fatality in 2019	0%
Lost days due to work injury		0

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5. Development and training

We strongly believe that the growth of employees is just as important as the Group's success. The Group is committed to the development and training of talents, and strives to establish a sound talent development mechanism. We newly set up a Training Department this year, and have formulated *Training Management System and 2021 Training Plan* based on the *Human Resources Work Manual*. We have established a team of internal and external lecturers and a complete training system that facilitate the use of both internal and external resources. Our trainings provide diverse courses for employees at different levels from new joiners to management. Training files would be created for each employee, keeping records of courses and course types that they attend during the employment. In addition to mandatory courses, we also provide various online courses to allow our employees to make customized study plans.

In 2021, we developed the *Internal Lecturer Management Policy* and launched the internal lecturer selection process. Employees are welcomed to nominate others or themselves to exploit their strengths and share work experiences.

We have also formulated career development programs within the *Employee Development Management Regulations* through publicity, counseling and other methods to actively help employees plan their personal career development path. We encourage and guide employees to receive academic re-education, and obtain specialized professional skills and qualification certificates to help employees plan their career development and grow together with the Group.

The scope of training statistics is the training uniformly organized by the Training Department of the company's human management center. It does not cover the small-scale training organized by the Department itself. In the future, we will strengthen the capacity of training statistics and expand the scope of training statistics.

Performance indicators of trainings:

Indicators		**Year 2021**
Proportion of trainees by gender	Male	100%
	Female	100%
Proportion of trainees by employee category	Senior management	100%
	Middle management	100%
	Junior employees	100%
Average training hours by gender	Male employees	6.9 hrs/person
	Female employees	8.7 hrs/person
Average training hours by employee category	Senior management	7.8 hrs/person
	Middle management	7.0 hrs/person
	Junior employees	7.5 hrs/person
Average employees training hours		7.4 hrs/person

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VII. SUPPLY CHAIN MANAGEMENT

The Group's suppliers mainly include software suppliers, technical support service providers, electronic equipment suppliers, decoration service providers and human resources outsourcing service providers. The Group formulates and implements procurement policies as outlined in the *Group Procurement and Bidding Management Measures* complying with the *Bidding Law of the PRC* to manage business procurement processes and foster quality suppliers. We strictly carry out supplier management and require all our suppliers to comply with applicable national and local laws and regulations. We sign off legally binding contracts with all our suppliers, and the terms include period, procurement price, payment method, the rights and obligations of the contracting parties, confidentiality, and contract termination, etc.

We take into account environmental and social performance as one of the key factors for supplier access, and strictly review the supplier's background, relevant qualifications and performance records, including past violations of laws and regulations. Those who qualify will be included the list of qualified suppliers, with their background information archived. For equipment suppliers, we give priority to energy-saving and environment friendly products under the same circumstances and require that the products they supply meet relevant national environmental protection requirements. For HR outsourcing service providers, we require them to strictly abide by laws and regulations such as the *Labor Law of the PRC* and the *Labor Contract Law of the PRC*, *Regulation on Work-Related Injury Insurance* to protect the legitimate rights and interests of their employees. For decoration service providers, we require them to use materials that meet national environment and safety standards and conduct environmental and safety management during the decoration process.

Performance indicators of suppliers:

Number of suppliers by geographical region	**Year 2021**
Total number of suppliers	79
Suppliers in North China	46
Suppliers in East China	16
Suppliers in South China	6
Suppliers in Central China	1
Suppliers in Northwest China	2
Suppliers in Southwest China	8

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VIII. PRODUCT RESPONSIBILITY

As a technology-driven company with strong R&D capabilities, the Group strives to provide our customers with quality products and services adhering to the principle of responsible operation. We abide by the *Product Quality Law of the PRC, Consumer Rights and Interests Protection Law of the PRC* and other laws and regulations, and are committed to winning customer trusts by product innovation and good business ethics.

1. Customer service and communications

The Group recognizes the importance of quality products and services. We have formulated the Newlink Technology *Pre-sale Project Management Measures* to carry out project-based management. In order to provide better services, we carry out targeted service quality management based on different customers and service categories. We put in place mechanism to review and ensure that customer needs are recorded, and special personnel are arranged to deal with their needs within the specified time to reach the expected goal.

We provide customers with multiple communication channels. During the progress of the projects, customers may connect with us via Sales Department, project leaders, and Group management. We maintain convenient and efficient communications on the progress, risks, and quality of the project, understand customers' views and opinions and respond to their needs in a timely manner to ensure quality products and services. We rarely receive complaints as our Project Management Department visit customer site from time to time for direct communications with customers, and urgent and major cases will be immediately submitted to the Project Committee for timely resolution. During the year, the Group did not receive any major complaints related to our products and services.

2. Product quality and security management

The Group has always set its service goal to continue to provide customers with stable and high-quality products. The Group passed ISO27001 information security management system certification, ISO20000 IT service management system certification, CMMI5 Maturity integration model and ISO9001 quality management system certification. Our Technical Management Committee is responsible for the quality management of product R&D. It has formulated a Hierarchical Supervision and Management System for Software Development Projects, classified projects according to their complexity and importance and established management processes for projects of different categories. In addition, the committee organized reviews on key aspects such as business structure, application structure, data structure and technology structure, etc. to ensure that product quality lives up to customers' expectations.

The Group has also established a quality management team with dedicated administrators to formulate and execute quality management plans for R&D projects. We monitor the quality of software development process to ensure that the quality of our software products meets the expected requirements.

The Group uses mature encryption, anti-attack, anti-tampering and other technical means during the product design to ensure product quality and safety. Before the final delivery of software products, we carry out professional testing of software product functions and performance to make sure product quality aligns with contract requirements. In addition, after the product delivery, we provide our customers with necessary technical support and training to ensure that the solutions we provide can run smoothly and effectively. The Group is not involved in any product or service recall due to safety and health reasons as it provides customized software services.

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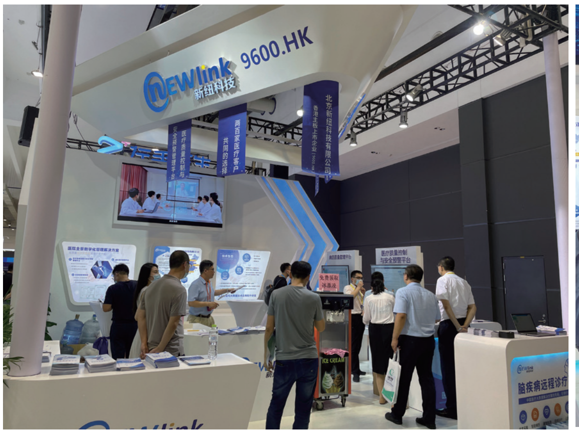
3. Product innovation

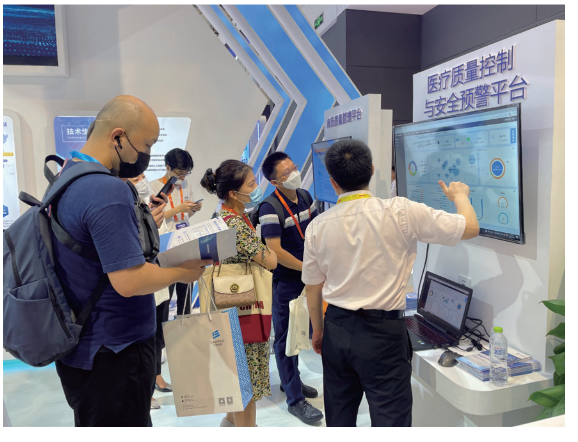
With support from national laboratories, the Group further explores product innovation in AI and big data analysis and application as the key technology and SaaS service field at its own software R&D center, and works with several professional companies and Beijing Jiaotong University on technology innovation and product development of big data, artificial intelligence and other specific and general industries. We stay committed to providing innovative solutions supported by artificial intelligence and big data analysis to customers in finance, healthcare and other industries. In 2021, we became one of the first companies in China that successfully commercialize Robotic Process Automation (RPA) technology, allowing us to provide large financial institutions with enterprise-level RPA solutions through the RPA product platform.

As at the end of 2021, our medical quality control and safety warning platform has been adopted by many hospitals across China. Complying with national standards, including the *Three-tier Hospital Accreditation Standards (2020 Edition)*, the *Medical Quality Management Measures* and the *Outlines of Core Medical Quality and Safety System*, as well as requirements for quality control by single disease (surgery) and department and new technology, our platform is able to conduct in-depth analysis on unstructured data, and make early warning of and automatically identify medical risks, to effectively improve medical quality.

Attendance at 2021 China Hospital Information Network Conference (CHINC)

In July 2021, the Group was invited to the 2021 CHINC, a conference held by the CHIMA and organized by *Chinese Hospitals* journal. At the conference, we were widely recognized by professionals and others for our star products, including the self-developed platform solution for medical quality control and safety warning on medical risks (first of its kind in China), representative case quality management platform and RPA platform.





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4. Data security and privacy

In light of the industry characteristics, the Group is committed to data security and privacy protection. It strictly adheres to the *Cybersecurity Law of the PRC*, the *Administrative Measures on Standards*, *Security and Services of National Healthcare Big Data, the Personal Data (Privacy) Regulations* and other relevant national and industry laws and regulations, as well as rules set by the customers. We sign data information confidentiality agreements with all employees, and those working on key product development are required to sign off stricter supplementary confidentiality agreements. Employees working at customer sites also sign confidentiality agreements with the customer where necessary. The Group specifically sets up a safe development environment for product development and ensures that any test data used in the process are desensitized in strict accordance with the confidential requirements. Also, personal information from creation, storage, transmission, access, use, destruction and other links is strictly monitored and processed to protect customers' privacy.

In addition, we strictly follow customers' contractual requirements and may only provide customer-related information to other parties upon reviewing client's prior written consent for disclosure, and any information provided will strictly follow the "minimum sufficient and need to know" principle. At present, our software products such as the banking business integration platform, core front-end system, and electronic government bond system, demonstrate excellent performance in data security and transaction processing capabilities. They fulfill the compliance standards in the financial services industry and are successfully applied by several domestic banks.

5. Intellectual property and trademark management

The Group recognizes the importance of intellectual property protection and continuously improves our intellectual property management. We put in place policies that strictly abide by the *Patent Law of the PRC*, the *Trademark Law of the PRC*, the *Copyright Law of the PRC* and other laws and regulations. We established Program Management Committee established. Based on national regulatory requirements and general industry norms, we have issued guidance and policies under our *Administrative Measures of the Program Management Committee* setting out necessary approval procedures for internal and external application of intellectual property to ensure the validity, rationality and compliance. The Program Management Committee is responsible for our intellectual property and patent management, and the Business Development Department under the committee takes charge of the overall intellectual property protection.

In order to ensure the uniform and standardized use of trademarks, the Group assigns specific personnel to review and manage our trademarks, and regularly conducts internal review to make sure that our brand and trademarks used have been approved and registered by relevant state agencies to ensure compliance. As at the end of 2021, we have registered 6 domain names, 91 software copyrights, 2 trademarks and 1 patent in China.

In addition to protecting our own intellectual property, we also put efforts in avoiding infringing on the intellectual property rights of others. We require employees to strictly abide by the terms of any applicable proprietary information and invention agreements. When using other's name, trademark, logo, data or software, authorization from the intellectual property owners is required to be obtained in accordance with relevant laws. For the use of internal and external intellectual property information, review of its legality by our relevant department is required with documented audit trail in our system.

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6. Advertising

We strictly abide by the *Advertising Law of the PRC* and other laws and regulations, and in our *Administrative Measures of the Program Management Committee* specify process and requirements of external advertising as well as the standards for contents of marketing materials. In charge of advertising and implementing policies, the Marketing Department strictly manage the compliance of information from media, exhibitions, marketing activities and promotion materials.

We require external promotional materials to be strictly reviewed. Following review by the originating department in line with the department level, Legal, Intellectual Property and Trademark Management departments are required to further review and approve the content. In case that promotional materials reach time limit or are non-compliant with facts or relevant regulations, we will initiate the withdrawal process. Specifically, we will issue a statement and withdraw relevant information upon approval of withdrawal application according to policies.

IX. ANTI-CORRUPTION

The Group always adheres to a high standard of business integrity and ethics. We strictly abide by laws and regulations relating to anti-corruption, bribery, extortion, fraud and money laundering, such as the *Criminal Law of People's Republic of China*, the *Anti-Unfair Competition Law of the PRC* and the *Bribery Prevention Regulations* in conducting our business. In order to ensure compliance operations, the Group has formulated policies under the *Anti-fraud*, *anti-corruption and Reporting and Complaint Management Measures* and has established a comprehensive anti-fraud management system. The system includes fraud prevention and control measures, reporting and complaint system, case investigation and reporting mechanism, and related remedial measures and the punishment mechanism. In 2021, the Group was not involved in any closed corruption case.

We implement several internal management measures to prevent and manage corruption and fraud risks. In addition, to strengthen employees' awareness of anti-corruption, we make sure they are familiar with relevant policies by incorporating mandatory courses of anti-bribery, anti-corruption laws and regulations and professional ethics into orientation and daily trainings. We regard the Internal Audit Department as the permanent anti-corruption organization of the Group, which is fully responsible for receiving reports, conducting case investigation, drafting investigation reports and putting forward handling opinions, and directly accept the supervision and management from the Audit Committee. In 2021, the anti-corruption training covered 76.1% employees and 100% directors.

X. COMMUNITY INVESTMENT

The Group has put relentless efforts into social welfare by fulfilling our corporate responsibilities and encouraging our employees to participate more in community activities, to contribute to the establishment of a better society.

When carrying out community activities, the Group actively listens to the community's expectations, follows community updates, understands their needs, and considers the impacts of our business operations on the communities. We always keep what the society needs most in mind. In this year, we called on volunteers to promote epidemic prevention knowledge to the community, and gave away disposable masks, alcohol and other supplies. In 2021, a total of 60 people participated in community activities, with over 100 service hours devoted. In the future, we will continue to shoulder our social responsibilities, and give back to the society.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on November 8, 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in providing IT solutions, especially technology-driven IT solutions based on self-developed software products. The services we provide to our customers include traditional solution services and innovative solution services. Our customers involve specific industries, such as finance and medical, as well as general industries.

The principal activities and particulars of the Company's subsidiaries are shown under Note 1 to the consolidated financial statements. An analysis of the Group's revenue for the year ended December 31, 2021 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2021, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report. In addition, a description of the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report. These discussions form part of this directors' report.

RESULTS

The consolidated results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2021.

OTHER INFORMATION

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares in issue of the Company were listed on the Main Board of the Stock Exchange on January 6, 2021, whereby 200,000,000 new Shares were issued at the offer price of HK$4.36 per share by the Company. After deduction of the underwriting fees, commissions and other related costs and expenses, the net proceeds from the Global Offering of the Company amounted to approximately HK$790.4 million (representing net proceeds of HK$3.952 per new Share) (the "**IPO Proceeds**").

DIRECTORS' REPORT

The following table sets forth the details of the use of the IPO Proceeds during the Reporting Period:

	Allocation of the IPO Proceeds Percentage	Amount HK$ million	Utilized amount in 2021 HK$ million	Unutilized amount as at 31 December 2021 HK$ million	Expected timeline for the use of unutilized proceeds[(1)]
For developing new solutions and upgrading existing solutions	**80.0%**	**632.3**	**80.4**	**551.9**	
– to develop and upgrade our medical quality control and safety warning system	20.0%	158.1	15.1	143.0	
– to develop our clinical pathway management system	20.0%	158.1	7.0	151.1	
– to develop our telemedicine system	10.0%	79.0	2.2	76.8	By December 2025
– to develop a new solution of intelligent healthcare platform	10.0%	79.0	16.9	62.1	
– to upgrade our RPA solution	20.0%	158.1	39.3	118.8	
For enhancing the sales and marketing efforts	**10.0%**	**79.1**	**14.1**	**65.0**	
For working capital and other general corporate purposes	**10.0%**	**79.0**	**64.5**	**14.5**	
Total	**100.0%**	**790.4**	**159.1**	**631.3**	

Notes:

(1) The expected timeline for utilizing the unutilized funds is based on the best estimation of the future market condition made by the Group. It may be subject to change based on the current and future development of market conditions.

(2) On January 7, 2022, the Board resolved to use no more than RMB100 million from the idle IPO Proceeds that are expected to remain idle for more than one year to subscribe for principal-protected short-term structured deposit products from qualified financial institutions subject to the following conditions: Neither the amount of any single structured deposit product subscribed by the Group nor the aggregate balance of the unmatured structured deposit products held by the Group at any time shall exceed RMB100 million. The proceeds to be generated from such subscribed structured deposit products will be used for the same purpose as the use of the IPO Proceeds. Term of any single principal-protected short-term structured deposit product subscribed by the Group shall not exceed six months. For further details, please refer to the announcement of the Company dated January 7, 2022. Apart from this, the IPO Proceeds will be allocated and utilised progressively for the purposes set out in the Prospectus.

(3) On January 7, 2022, Beijing Newlink Technology Company Limited used RMB100 million from the idle IPO Proceeds to subscribe for the principal-protected floating structured deposit issued by Bank of Ningbo Co., Ltd. for a term of 91 days.

(4) Any discrepancy arising in the decimal figures in the table above is due to the effect of rounded figures.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities, equity attributable to the owners of the parent and non-controlling interests of the Group for the last five financial years is set out on page 9 of this annual report.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2021 are set out in Note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2021 are set out in Note 27 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2021, other than the Post-IPO Share Option Scheme as set out in the section under "Post-IPO Share Option Scheme", the Company has not entered into any equity-linked agreement.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2021 are set out in Note 28 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's distributable reserves were RMB710.1 million.

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 26 to the consolidated financial statements.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company repurchased a total of 13,485,600 Shares of the Company on the Stock Exchange at a total consideration (including transaction costs) of approximately HK$29.7 million. The aforesaid repurchased shares were cancelled on December 17, 2021. Details of the Shares repurchased are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share paid Highest price (HK$)	 Lowest price (HK$)	Total consideration (HK$)
October	12,000	1.82	1.80	21,760
November	13,473,600	2.34	1.97	29,663,664
Total	13,485,600			29,685,424

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2021. The Company has carried out the aforesaid repurchases of Shares based on the confidence in its long-term business prospects, aiming at enabling the trading price of the Shares of the Company to fully reflect the intrinsic value and business prospects of the Company and to create greater value for its Shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

DIRECTORS

During the Reporting Period up to the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. ZHAI Shuchun *(Chairman and Chief Executive Officer)*
Ms. QIAO Huimin
Ms. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors

Mr. TANG Baoqi
Ms. JING Liping (Resigned on November 30, 2021)
Ms. YANG Juan (Appointed on November 30, 2021)
Mr. YE Jinfu

DIRECTORS' REPORT

In accordance with article 16.19 of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

In accordance with article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. TANG Baoqi, Mr. YE Jinfu and Ms. YANG Juan, who have consent, shall retire from office and have offered themselves for re-election at the forthcoming 2022 AGM.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company as at the date of this annual report are set out on pages 13 to 17 in the section headed "Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company, and each of the independent non-executive Directors has entered into a letter of appointment with the Company. The service contracts with each of the executive Directors are for an initial fixed term of three years commencing from the date of the service contract. The letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years commencing from the date of the appointment. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms or by either party giving to the other not less than three – month prior written notice. The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles. Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH CONTROLLING SHAREHOLDER

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their respective subsidiaries during the year ended December 31, 2021.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2021.

DIRECTORS' REPORT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration (including salaries, allowances, pension scheme contributions and other benefits) paid to the Directors in aggregate for the year ended December 31, 2021 was approximately RMB2.61 million.

The five highest paid individuals of our Group for the year ended December 31, 2021 included 2 Directors, whose remuneration is included in the aggregate amount we paid to the relevant Directors set out above. The remuneration (including salaries, allowances, pension scheme contributions and other benefits) paid to the remaining 3 highest paid individuals in aggregate for the year ended December 31, 2021 was approximately RMB1.87 million.

For the year ended December 31, 2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2021.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 8 and Note 9 to the consolidated financial statements in this annual report.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors nor the Controlling Shareholders or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 2 to the consolidated financial statements in this annual report.

INDEMNITY OF DIRECTORS

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its directors and officers. Such insurance was valid throughout the financial year ended 31 December 2021 and still remains in effect as at the date of this annual report. No indemnity was provided and made by the Company in the Reporting Period and up to the date of this annual report.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and letters of appointment as disclosed in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2021.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its Controlling Shareholders or their respective connected persons.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at December 31, 2021, there were no matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

POST-IPO SHARE OPTION SCHEME

On December 5, 2020, the Company adopted the Post-IPO Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

Qualified participants of the Post-IPO Share Option Scheme include (i) any employee (whether full time or part time) of the Company or its subsidiaries, including any officer or executive Director, (ii) any independent non-executive Director, and (iii) any consultant of the Company or its subsidiaries as the Board may in its absolute discretion select.

The Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not exceed 80,000,000 Shares, representing 10.17% of the total issued share capital of the Company on the date of this annual report.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from December 5, 2020 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

DIRECTORS' REPORT

The exercise price of share options under the Post-IPO Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

No share options have been granted under the Post-IPO Share Option Scheme since its adoption and up to the date of this annual report.

A summary of the terms of the Post-IPO Share Option Scheme has been set out in the section headed "D. Post-IPO Share Option Scheme" in Appendix IV of the Prospectus.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at the end of the Reporting Period, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in Shares of the Company

Name of Director	Capacity	Number of ordinary Shares interested	Approximate percentage of the Company's issued share capital[1]
Mr. ZHAI	Interest in a controlled corporation	327,600,000	41.65%

Note:

(1) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the end of the Reporting Period, being 786,514,400 Shares.

Save as disclosed above and to the best knowledge of the Directors, as at the end of the Reporting Period, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the end of the Reporting Period, to the best knowledge of the Directors, the following corporations/persons had interests of 5% or more in the issued Shares according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in Shares

Name	*Note*	Capacity	Number of ordinary Shares interested	Approximate percentage of the Company's issued share capital[(3)]
Nebula SC		Beneficial owner	327,600,000	41.65%
Mr. ZHAI	*(1)*	Interest of a controlled corporation	327,600,000	41.65%
Earnest Kai Holdings Limited		Beneficial owner	218,400,000	27.77%
Mr. YUAN Yukai	*(2)*	Interest of controlled corporations	218,400,000	27.77%

Notes:

(1) Mr. ZHAI is deemed to be interested in the entire interests upon Listing held by Nebula SC, a company wholly-owned by him.

(2) Mr. YUAN Yukai is deemed to be interested in the entire interests upon Listing held by Earnest Kai Holdings Limited, a company wholly-owned by him.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the end of the Reporting Period, being 786,514,400 Shares.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2021, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Post-IPO Share Option Scheme, at no time during the year ended December 31, 2021 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's largest customer accounted for approximately 16.4% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 49.2% of the Group's total revenue from continuing operations.

During the Reporting Period, the Group's largest supplier accounted for approximately 30.4% of the Group's total purchases. The Group's five largest suppliers accounted for 63.2% of the Group's total purchases.

DIRECTORS' REPORT

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 637 employees. The staff costs including Directors' emoluments were approximately RMB105.8 million in 2021.

Remuneration of the Group's employees includes basic salary, bonuses and cash subsidies. We determine our employees' compensation based on each employee's performance, qualifications, position and seniority.

We adopted the Post-IPO Share Option Scheme on December 5, 2020, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to our employees' continuing education and development. We provide pre-employment and regular continuing trainings to our employees, which we believe are effective in equipping them with the skill set and work ethics that we require. Also, we continuously provide comprehensive trainings to our technical staff, equipping them with knowledge and skills to perform a variety of functions on different projects and allowing us to quickly find qualified and suitable replacement internally in the event of employee's demission.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

CONTINUING CONNECTED TRANSACTION

During the year ended December 31, 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules following the completion of the Global Offering.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2021 are set out in Note 31 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

AUDIT COMMITTEE

The Company's consolidated annual results for the year ended 31 December 2021 has been reviewed by the Audit Committee of the Company.

AUDITOR

The Shares of the Company were listed on the Stock Exchange on 6 January 2021. Ernst & Young was appointed as the auditor of the Company during the Reporting Period. The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by Ernst & Young.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business operations are subject to various laws and regulations in the software industry, financial information technology, information security and privacy as well as medical big data, which mainly include the Cyber Security Law of the PRC (中華人民共和國網絡安全法), the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the Cryptography Law of the PRC (《中華人民共和國密碼法》), the Administrative Measures for Software Products (《軟件產品管理辦法》), the Administrative Measures for Medical Quality (《醫療質量管理辦法》), the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other applicable regulations, policies and normative legal documents promulgated in accordance with or in respect of such laws and regulations. The Group carries out business in accordance with relevant laws and regulations. In addition, Beijing Newlink has successively obtained ISO9001, ISO20000, ISO27001, CMMI5 and other quality management system certifications and industry certifications. Should there be any changes in the applicable laws, regulations and normative legal documents regarding its principal business, the Group will promptly notify relevant departments to ensure that the quality and safety of its products and services meet the latest requirements.

EVENTS AFTER THE REPORTING PERIOD

On January 7, 2022, Beijing Newlink Technology Company Limited, a wholly-owned subsidiary of the Company, used RMB100 million to subscribe for a structured deposit product issued by Bank of Ningbo Co., Ltd. for a term of 91 days. For details, please refer to the announcement of the Company dated January 7, 2022.

Save as disclosed above, no other significant events of the Group occurred after the end of 2021.

On behalf of the Board

ZHAI Shuchun
Chairman

March 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Newlink Technology Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Newlink Technology Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 148, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement 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 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters
Revenue recognition	
Revenue from software development services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. For the contracts with a fixed price, the Group recognises revenue from software development services based on the actual direct costs incurred relative to the total expected costs to be incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on the understanding of the performance of the contract, quotations from suppliers and subcontractors, and the Group's historical experience. Revenue arising from contracts for software development services using the input method accounted for about 44% of the Group's total revenue. The contract assets derived from these revenue contracts accounted for about 8% of the Group's total assets as at 31 December 2021. Significant management judgements are involved in the estimation of the total contract costs including the assessment of the remaining contingencies that a project is or could be facing until completion. References are made to the financial statements in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", and note 5 "Revenue, other income and gains" for the relevant disclosures.	Our audit procedures included, among others, the following: – Tested the controls designed and implemented by the Group over its process to record contract costs, contract revenue and the calculation of the progress; – Evaluated the significant estimates made by management by examining project documentation including the project budget, together with related supporting such as quotations from subcontractors, planned labour resources allocation, etc, and discussing the status of selected projects with management, finance, and technical staff of the Group; – Assessed the reliability of management's estimates by comparing the gross profit margin with similar completed projects; – Discussed the rationality of any modification of estimated contract costs with management and checked the related documents such as new quotations from suppliers and the change requests approved by management; – Performed tests of details on costs incurred, including checking invoices and timesheet to ensure that the costs are directly attributable to the contracts tested; – Performed confirmation procedures for the invoiced contract amount and the total contract amount; – Performed substantive analytical procedures; and – Performed cut-off procedures at the period-end date to determine whether transactions are recorded in the proper period and to the proper accounts.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters
Collectability of trade receivables and contract assets	
Trade receivables and contract assets accounted for about 20% and 8% of total assets in the consolidated statement of financial position as at 31 December 2021, respectively. The Group adopted a forward-looking model for the assessment of the expected credit loss provision for trade receivables and contract assets. This involves judgements as the expected credit losses reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. Due to the significant amounts of trade receivables and contract assets, and the related estimation uncertainty, this is considered a key audit matter. References are made to the financial statements in note 3 "Significant accounting judgements and estimates", note 18 "Trade receivables", and note 19 "Contract assets" for the relevant disclosures.	Our audit procedures included, among others, the following: – Tested on a sampling basis the ageing of trade receivables and contract assets at the end of the year; – Checked receipts after year-end to determine any remaining exposure as at 31 December 2021; – Assessed whether the calculation of expected credit losses was in accordance with HKFRS 9; – Evaluated the loss rate statistics of the trade receivables and contract assets by checking to published credit ratings of customers by credit agents; – Evaluated the forward-looking data used in the impairment models by considering the customers' expected payment pattern along with macroeconomic information; – Assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations; and – Assessed the adequacy of the Group's disclosures in relation to trade receivables and contract assets included in the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters
Capitalisation of development costs	
During the year ended 31 December 2021, the Group capitalised development costs of RMB21,023,000 and the Group had deferred development costs of RMB23,666,000 as at 31 December 2021, which are material to the consolidated financial statements. The specific criteria that need to be met for capitalisation of development costs involve the significant management judgements and estimates, such as technical feasibility, intention and ability to complete the development, ability to use or sell the asset, generation of future economic benefits and ability to measure the costs reliably. References are made to the financial statements in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", and note 15 "Intangible assets" for the relevant disclosures.	Our audit procedures included, among others, the following: – Tested the controls designed and implemented by the Group over its process to capitalise development costs; – Evaluated the nature of development costs incurred that are capitalised into intangible assets; – Assessed the reasonableness of the capitalisation by reviewing the related documents such as the project plan, the feasibility report, the market analysis report and approval from management; – Discussed the key assumptions used and estimates made in capitalising development costs with management; and – Considered whether the capitalised projects can generate future economic benefits by examining the relevant sales contracts signed with the customers and estimated contract costs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is TJEN, Michael.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**205,752**	176,147
Cost of sales	6	**(131,154)**	(83,745)
Gross profit		**74,598**	92,402
Other income and gains	5	**3,499**	2,058
Selling and distribution expenses		**(11,251)**	(9,682)
Administrative expenses		**(31,230)**	(30,427)
Research and development costs	6	**(8,865)**	(11,939)
Other expenses		**(8,605)**	(1,342)
Finance costs	7	**(1,148)**	(786)
Share of profits and losses of an associate		**17**	–
PROFIT BEFORE TAX	6	**17,015**	40,284
Income tax expense	10	**(3,968)**	(8,255)
PROFIT FOR THE YEAR		**13,047**	32,029
Attributable to:			
Owners of the parent		**13,047**	32,029
Non-controlling interests		**–***	–*
		13,047	32,029
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB1.64 cents**	RMB5.34 cents

* Less than RMB1,000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**13,047**	32,029
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,889**	(488)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(9,657)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(7,768)**	(488)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,279**	31,541
Attributable to:		
Owners of the parent	**5,279**	31,541
Non-controlling interests	**–***	–*
	5,279	31,541

* Less than RMB1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*13*	**4,288**	2,361
Right-of-use assets	*14(a)*	**6,480**	9,222
Intangible assets	*15*	**52,157**	18,195
Investment in an associate	*16*	**4,017**	–
Equity investment designated at fair value through profit or loss	*17*	**2,280**	–
Contract assets	*19*	**1,036**	1,402
Long-term deposits	*20*	**1,602**	1,478
Deferred tax asset	*25*	**1,334**	333
Total non-current assets		**73,194**	32,991
CURRENT ASSETS			
Trade receivables	*18*	**178,724**	107,248
Contract assets	*19*	**64,066**	40,507
Prepayments, deposits and other receivables	*20*	**5,430**	8,603
Due from a related party	*31*	**2,102**	–
Cash and cash equivalents	*21*	**524,258**	69,131
Pledged deposits	*21*	**1**	–
Restricted bank deposits	*21*	**24,522**	–
Other current assets		**1,041**	–
Total current assets		**800,144**	225,489
CURRENT LIABILITIES			
Trade payables	*22*	**11,651**	6,265
Contract liabilities	*23*	**616**	1,371
Other payables and accruals	*24*	**6,044**	22,870
Interest-bearing bank borrowings	*26*	**5,000**	15,000
Lease liabilities	*14(b)*	**3,365**	2,639
Tax payable		**5,209**	4,917
Total current liabilities		**31,885**	53,062
NET CURRENT ASSETS		**768,259**	172,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**841,453**	205,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	2,182	6,045
Total non-current liabilities		2,182	6,045
Net assets		839,271	199,373
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	5	4
Reserves	*28*	837,759	197,862
		837,764	197,866
Non-controlling interests		1,507	1,507
Total equity		839,271	199,373

Zhai Shuchun
Director

Qiao Huimin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 *(Note 27)*	Share premium RMB'000 *(Note 28)*	Merger reserve RMB'000 *(Note 28)*	Statutory surplus reserve RMB'000 *(Note 28)*	Exchange fluctuation reserve RMB'000 *(Note 28)*	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2020	4	71,996*	50,000*	6,420*	–*	56,970*	185,390	1,507	186,897
Profit for the year	–	–	–	–	–	32,029	32,029	–**	32,029
Translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	(488)	–	(488)	–	(488)
Total comprehensive income for the year	–	–	–	–	(488)	32,029	31,541	–**	31,541
Deemed distribution to shareholders in group reorganisation	–	–	(73,539)	–	–	–	(73,539)	–	(73,539)
Capital contribution by then shareholders of a subsidiary	–	–	51,007	–	–	–	51,007	–	51,007
Capital contribution by shareholders of the Company	–	3,467	–	–	–	–	3,467	–	3,467
Transfer to statutory surplus reserve	–	–	–	4,195	–	(4,195)	–	–	–
At 31 December 2020 and 1 January 2021	4	75,463*	27,468*	10,615*	(488)*	84,804*	197,866	1,507	199,373
Profit for the year	–	–	–	–	–	13,047	13,047	–**	13,047
Translation from functional currency to presentation currency	–	–	–	–	(9,657)	–	(9,657)	–	(9,657)
Exchange differences on translation of foreign operations	–	–	–	–	1,889	–	1,889	–	1,889
Total comprehensive income for the year	–	–	–	–	(7,768)	13,047	5,279	–**	5,279
Issue of shares	1	726,637	–	–	–	–	726,638	–	726,638
Share issue expenses	–	(67,649)	–	–	–	–	(67,649)	–	(67,649)
Shares repurchased	**	(24,370)	–	–	–	–	(24,370)	–	(24,370)
Transfer from retained profits	–	–	–	2,775	–	(2,775)	–	–	–
At 31 December 2021	**5**	**710,081***	**27,468***	**13,390***	**(8,256)***	**95,076***	**837,764**	**1,507**	**839,271**

* These reserve accounts comprise the consolidated reserves of RMB838,867,000 (2020: RMB197,862,000) in the consolidated statement of financial position.

** Less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**17,015**	40,284
Adjustments for:			
Finance costs	*7*	**1,148**	786
Share of profits and losses of an associate	*16*	**(17)**	–
Bank interest income	*5*	**(635)**	(213)
Loss on disposal of items of property and equipment		**–**	20
Investment income from financial assets at fair value through profit or loss	*5*	**–**	(129)
Covid-19-related rent concessions from lessors	*14*	**–**	(330)
Depreciation of property and equipment	*13*	**1,121**	732
Depreciation of right-of-use assets	*14*	**4,201**	4,258
Amortisation of intangible assets	*15*	**7,399**	3,328
Foreign exchange differences, net		**3,376**	111
Impairment losses recognised for trade receivables	*6*	**4,020**	902
Impairment losses recognised for contract assets	*6*	**1,206**	310
		38,834	50,059
Increase in long-term deposits		**(144)**	(28)
Increase in trade receivables		**(75,496)**	(35,861)
Increase in contract assets		**(24,398)**	(18,789)
Decrease/(increase) in prepayments, deposits and other receivables		**3,316**	(3,907)
(Increase)/decrease in amounts due from a related party		**(2,102)**	2,232
Increase in trade payables		**5,386**	5,368
Decrease in contract liabilities		**(755)**	(129)
(Increase)/decrease in pledged deposits		**(1)**	15
Increase in restricted bank deposits		**(24,522)**	–
(Decrease)/increase in other payables and accruals		**(18,105)**	18,991
Increase in other current assets		**(1,041)**	–
			–
Cash (used in)/generated from operations		**(99,028)**	17,951
Bank interest received		**635**	213
Interest paid		**(684)**	(172)
Income tax paid		**(4,676)**	(6,121)
Interest element of rental payments		**(464)**	(614)
Net cash flows (used in)/generated from operating activities		**(104,217)**	11,257

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(3,048)	(83)
Additions to intangible assets		(40,085)	(10,383)
Purchase of a shareholding in an associate		(4,000)	–
Purchases of financial assets at fair value through profit or loss		–	(28,640)
Receipt of financial assets at fair value through profit or loss		–	28,769
Purchases of equity investments designated at fair value through profit or loss		(2,280)	–
Net cash flows used in investing activities		(49,413)	(10,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		726,638	–
Share issue expenses		(67,649)	–
Repurchase of shares		(24,370)	
New bank loans		5,000	15,000
Repayment of bank loans		(15,000)	–
Capital contribution by the then shareholders of a subsidiary		–	14,008
Capital contribution by shareholders of the Company		–	59,481
Deemed distribution to shareholders in group reorganisation		–	(73,539)
Increase in rental deposit		(123)	–
Principal portion of lease payments		(4,595)	(3,480)
Net cash flows generated from financing activities		619,901	11,470
NET INCREASE IN CASH AND CASH EQUIVALENTS		466,271	12,390
Cash and cash equivalents at beginning of year		69,131	57,339
Effect of foreign exchange rate changes, net		(11,144)	(598)
CASH AND CASH EQUIVALENTS AT END OF YEAR		524,258	69,131
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	524,258	69,131
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		524,258	69,131

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

1. CORPORATE INFORMATION

Newlink Technology Inc. (the "Company") was incorporated in the Cayman Islands on 8 November 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 January 2021.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of software development and maintenance in the People's Republic of China (hereafter, the "PRC"). Mr. Zhai Shuchun is the controlling shareholder of the Group. There has been no significant change in the Group's principal activities during the year ended 31 December 2021.

Information about subsidiaries

As of the date of approval of the financial statements, the Company has direct and indirect interests in the following entities:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Newlink Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Newlink Technology Holdings (Hong Kong) Limited	Hong Kong	HK$1	–	100	Investment holding
Newlink Technology (Beijing) Co., Ltd. ("Newlink Technology") (紐領科技(北京)有限公司)*/**/***	PRC/ Mainland China	US$15,000,000	–	100	Investment holding
Beijing Newlink Technology Company Limited ("Beijing Newlink") (北京新紐科技有限公司)**/***	PRC/ Mainland China	RMB101,010,101	–	100	Software development and maintenance
Beijing Newlink Healthcare Information Technology Company Limited (北京新紐醫訊科技有限公司)**/***	PRC/ Mainland China	RMB30,000,000	–	90	Software development and maintenance
Hainan Newlink Technology Co., Ltd. (海南新紐科技有限公司)**/***	PRC/ Mainland China	RMB10,000,000	–	100	Software development and maintenance

* Newlink Technology is registered as a wholly-foreign-owned enterprise under PRC law.

** The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

*** All of these subsidiaries are companies established in the PRC with limited liability.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are not relevant to the preparation of the Group's financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group;

or

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment and furniture	20%
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue from contracts with customers" below.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has used a loss rate approach and develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and then adjust these loss trends for current conditions and expectations about the future.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Software development services*

Revenue from software development services is recognised over time, using an appropriate method to measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. For the contracts with a fixed price, the Group uses the input method, which the Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. For the contracts with a fixed amount billed for each hour of service provided, the Group uses the practical expedient to recognise revenue in the amount to which the Group has a right to invoice.

Contracts for bundled sales of software development service and technical and maintenance services (i.e., training, upgrade, service-type warranties) are comprised of separate performance obligations because the promises to transfer the software and provide those services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

(b) *Technical and maintenance services*

Revenue from the technical and maintenance services is recognised over the scheduled period on a straight-line basis or based on the actual time/work incurred, because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Sale of standard software*

Revenue from the sale of standard software is recognised at the point in time when the right to use the software is transferred to the customer, generally upon the acceptance by the customers.

Contracts for bundled sales of standard software, installation, technical and maintenance services (i.e., training, upgrade) are comprised of separate performance obligations because these promises are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension scheme

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements are presented in RMB because the Group's principal operations are carried out in Mainland China. The functional currency of the Company and certain oversea subsidiaries incorporated outside Mainland China is US$ and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Such plan is influenced by projected future market and economic conditions and future financing requirements of the Group, and the management of the Group considers that it is not probable that such subsidiary will distribute dividends in the foreseeable future given the Group's expansion and development in Mainland China.

Identification of performance obligations

The Group analyses agreements with more than one element, or deliverable. The Group identifies the deliverables within the agreement and evaluates which deliverables represent separate units of accounting. Analysing the agreements to identify deliverables requires the use of judgement. A deliverable is considered a separate unit of accounting when deliverable has value to the customers on a standalone basis based on the consideration of the relevant facts and circumstances for each agreement. In addition, the Group also considers whether the other deliverables can be used for their intended purpose without the receipt of the remaining elements, whether the value of the deliverable is dependent on the undelivered items and whether there are other vendors that can provide the undelivered elements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue from contracts with customers

For the contracts with a fixed price, the Group recognises revenue from software development services based on the actual direct costs incurred relative to the total expected costs to be incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on understanding of the performance of the contract, quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for onerous contract may arise.

In addition, when the Group determines the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for financing purposes.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a loss rate approach to calculate ECLs for trade receivables and contract assets. The loss rates are based on groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The Group develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and then adjust these loss trends for current conditions and expectations about the future. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the determined loss-rate is adjusted. At each reporting date, the loss-rate statistics are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among the loss-rate statistics, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's expected default data and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 18 and 19 to the financial statements, respectively.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. As at 31 December 2021, the carrying amount of deferred development costs included in intangible assets was RMB23,666,000 (2020: RMB4,716,000).

Impairment of deferred development costs

The Group assesses whether there are any indicators of impairment for Deferred development costs at the end of each reporting period. Deferred development costs are tested for impairment annually and at other times when such an indicator exists. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is its value in use. Management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

Amortisation of intangible assets

The Group calculates the amortisation of intangible assets on the straight-line basis over their estimated useful lives commencing from the date when the items of intangible assets are placed into use. The estimated useful lives reflect the estimates of the directors for the period that the Group intends to derive future economic benefits from the use of the Group's items of intangible assets.

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4. OPERATING SEGMENT INFORMATION

The Group is an IT solution service provider in Mainland China.

In prior years the Group managed its business based on the industry sectors of the customers and had three reportable operating segments being the financial institutions, the medical institutions and the other segment. In 2021, the Group increased the promotion of its artificial intelligence and big data solutions in various fields. In addition to maintaining its advantages of serving specific industries, such solutions were further applied to large and medium-sized state-owned and private enterprises, and were extended to various customers in coal power, the Internet of Things, the Internet,information technology services and other sectors. The Group also further captured a higher market share through strategic cooperation. Therefore, management has no longer monitored the results based on the industry sectors of the customers. The financial information reported to the chief operating decision maker is reflected through the overall operating performance of the Group for resource allocation and performance evaluation. Accordingly, no operating segment information is presented.

Geographical information

During the year, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

Aggregated revenue of approximately RMB74,281,000 (2020: RMB58,823,000) was derived from the following single customers, which individually accounted for more than 10% of the Group's total revenue.

	2021 **RMB'000**	2020 RMB'000
Customer 1	**20,877**	26,875
Customer 2	**19,570**	31,948
Customer 3	**33,834**	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective years.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Software development services	155,747	132,085
Technical and maintenance services	17,059	17,507
Sale of standard software	32,946	26,555
Total revenue from contracts with customers	205,752	176,147
Timing of revenue recognition		
Goods transferred at a point in time	32,946	26,555
Services transferred over time	172,806	149,592
Total revenue from contracts with customers	205,752	176,147

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software development services	1,210	1,384
Technical and maintenance services	161	116
	1,371	1,500

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Software development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days upon issuance of invoice and receipt of acceptance from customers on milestones as agreed by both parties. A certain percentage of payment is retained by customers until the end of the retention period.

Technical and maintenance services

The performance obligation is satisfied over time as services are rendered and the credit period granted to the customers is normally due upon completion of the service, which is normally for periods of one year or less, or are billed based on the actual time/work incurred, which are due within 30 to 180 days from the date of billing.

Sale of standard software

The performance obligation is satisfied upon acceptance of software and payment is generally due within 30 to 180 days from acceptance by customers, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 **RMB'000**	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**37,088**	18,631
After one year	**5,813**	7,462
	42,901	26,093

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) *Performance obligations (Continued)*

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to software development services and technical services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained and revenue that will be recognised using the right to invoice practical expedient.

	2021 RMB'000	2020 RMB'000
Other income and gains		
Bank interest income	635	213
Interest income arising from revenue contracts	15	39
VAT refunds and other tax subsidies*	2,807	1,677
Investment income from financial assets at fair value through profit or loss	–	129
Others	42	–
	3,499	2,058

* Refunds of VAT on software products represent the refund upon payment of VAT with respect to the portion of any effective VAT rate in excess of 3% in respect of software product sales of the Group pursuant to the principles of the State Council document entitled "Certain Policies to Encourage the Development of Software Enterprise and the IC Industry" and the approval of the state taxation authorities.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**6,195**	–
Cost of services rendered		**124,959**	83,745
Research and development costs:			
Deferred expenditure amortised**	*15*	**2,073**	788
Current year expenditure		**8,865**	11,151
		10,938	11,939
Employee benefit expense (including directors' and chief executives' remuneration *(note 8)*):			
Wages and salaries		**89,879**	75,579
Pension scheme contributions (defined contribution scheme)*		**15,956**	11,968
		105,835	87,547
Depreciation of property and equipment	*13*	**1,121**	732
Depreciation of right-of-use assets	*14*	**4,201**	4,258
Covid-19-related rent concessions from lessors	*14*	**–**	(330)
Amortisation of intangible assets**	*15*	**7,399**	3,328
Impairment losses recognised for trade receivables***	*18*	**4,020**	902
Impairment losses recognised for contract assets***	*19*	**1,206**	310
Foreign exchange differences, net***		**3,376**	111
Bank interest income	*5*	**(635)**	(213)
Listing expenses		**6,967**	18,203
Auditors' remuneration		**2,200**	1,800

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions

** The amortisation of deferred development costs is included in the amortisation of intangible assets, the amortisation of intangible assets for the year is included in cost of sales, administrative expenses, selling and distribution expenses and research and development expenses in the consolidated statement of profit or loss.

*** Included in "other expenses" in the consolidated statement of profit or loss.

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7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans	684	202
Interest on lease liabilities *(note 14)*	464	584
	1,148	786

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Zhai Shuchun, Ms. Qin Yi, Ms. Qiao Huimin and Mr. Li Xiaodong have been appointed as executive directors of the Company since 2019. Mr. Tang Baoqi, Ms. Jing Liping and Mr. Ye Jinfu have been appointed as independent non-executive directors of the Company since 2020. Since 30 November 2021, Ms. Jing Liping resigned and Ms. Yang Juan has been appointed as the independent non-executive director.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	299	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,021	2,033
Pension scheme contributions	291	240
	2,312	2,273
	2,611	2,273

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Tang Baoqi	100	–
Mr. Ye Jinfu	100	–
Ms. Jing Liping	91	–
Ms. Yang Juan	8	–
	299	–

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(b) Executive directors and the chief executive

2021	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director and the chief executive:				
Mr. Zhai Shuchun	–	889	116	1,005
Executive directors:				
Ms. Qin Yi	–	411	63	474
Ms. Qiao Huimin	–	600	95	695
Mr. Li Xiaodong	–	121	17	138
	–	2,021	291	2,312

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and the chief executive (Continued)

2020	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and the chief executive:				
Mr. Zhai Shuchun	–	655	94	749
Executive directors:				
Ms. Qin Yi	–	476	54	530
Ms. Qiao Huimin	–	725	83	808
Mr. Li Xiaodong	–	177	9	186
	–	2,033	240	2,273

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included 2 directors (2020: 1), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3 (2020: 4) highest paid employees who are neither a director nor chief executive of the Group during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,578**	2,502
Pension scheme contributions	**287**	330
	1,865	2,832

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9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**3**	4

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Pursuant to the PRC Enterprise Income Tax ("EIT") Law and the respective regulations, the subsidiaries in Mainland China are subject to income tax at a statutory rate of 25% during the year.A preferential tax treatment is available to Beijing Newlink, which was recognised as a High and New Technology Enterprise in December 2020 in Mainland China and a lower corporate income tax of 15% has been applied in 2020 and 2021. The certificate of High and New Technology Enterprise has to be renewed every three years and Beijing Newlink has to re-apply for it every six years.

Hong Kong profits tax has been provided at the rate of 16.5% on the Group's assessable profits derived from Hong Kong during the reporting period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The major components of the income tax expense for the year are as follows:

	2021	2020
	RMB'000	RMB'000
Current tax – Mainland China	**4,969**	8,460
Deferred tax *(note 25)*	**(1,001)**	(205)
Total tax charge for the year	**3,968**	8,255

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10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2021 RMB'000	%	2020 RMB'000	%
Profit before tax	**17,015**		40,284	
Tax at the statutory tax rate	**4,254**	**25.0**	10,071	25.0
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	**(1,702)**	**(10.0)**	(4,028)	(10.0)
Super deduction for research and development expenses	**(1,192)**	**(7.0)**	(1,291)	(3.2)
Tax losses not recognised	**11**	**0.06**	–	–
Expenses not deductible for tax	**2,597**	**15.3**	3,503	8.8
Tax charge at the Group's effective tax rate	**3,968**	**23.3**	8,255	20.5

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amount of temporary difference associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB118,649,000 as at 31 December 2021 (2020: RMB109,120,000).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses from 1 January 2008 to 31 December 2017, and 175% of the research and development expenses from 1 January 2018 to 31 December 2021 as tax deductible expense.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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11. DIVIDENDS

No dividends have been paid or declared by the Group during the year ended 31 December 2021 (2020: nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 796,113,935 (2020: 600,000,000) in issue during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

	2021	2020
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation (RMB'000)	**13,047**	32,029
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**796,113,935**	600,000,000
Basic and diluted earnings per share	**RMB1.64 cents**	RMB5.34 cents

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13. PROPERTY AND EQUIPMENT

	Electronic equipment and furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021			
At 1 January 2021:			
Cost	1,993	4,393	6,386
Accumulated depreciation	(1,099)	(2,926)	(4,025)
Net carrying amount	894	1,467	2,361
At 1 January 2021, net of accumulated depreciation	894	1,467	2,361
Additions	2,119	929	3,048
Depreciation provided during the year *(note 6)*	(495)	(626)	(1,121)
At 31 December 2021, net of accumulated depreciation	2,518	1,770	4,288
At 31 December 2021:			
Cost	4,112	5,322	9,434
Accumulated depreciation	(1,594)	(3,552)	(5,146)
Net carrying amount	2,518	1,770	4,288

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13. PROPERTY AND EQUIPMENT (CONTINUED)

	Electronic equipment and furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020			
At 1 January 2020:			
Cost	1,974	4,393	6,367
Accumulated depreciation	(786)	(2,551)	(3,337)
Net carrying amount	1,188	1,842	3,030
At 1 January 2020, net of accumulated depreciation	1,188	1,842	3,030
Additions	83	–	83
Disposals	(20)	–	(20)
Depreciation provided during the year *(note 6)*	(357)	(375)	(732)
At 31 December 2020, net of accumulated depreciation	894	1,467	2,361
At 31 December 2020:			
Cost	2,037	4,393	6,430
Accumulated depreciation	(1,143)	(2,926)	(4,069)
Net carrying amount	894	1,467	2,361

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14. LEASES

The Group as a lessee

The Group has lease contracts for office buildings used in its operations. They generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**9,222**	13,354
Additions	**1,459**	126
Depreciation charge *(note 6)*	**(4,201)**	(4,258)
At the end of the year	**6,480**	9,222

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**8,684**	12,367
New leases	**1,333**	126
Accretion of interest recognised during the year *(note 7)*	**464**	584
Payments	**(4,934)**	(4,064)
Covid-19-related rent concessions from lessors	**–**	(330)
Carrying amount at 31 December	**5,547**	8,684
Analysed into:		
Current portion	**3,365**	2,639
Non-current portion	**2,182**	6,045

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities *(note 7)*	464	584
Depreciation charge of right-of-use assets *(note 6)*	4,201	4,258
Expense relating to short-term leases (included in cost of sales, administrative expenses, selling and distribution expenses, and research and development expenses)	261	–
Covid-19-related rent concessions from lessors	–	(330)
Total amount recognised in profit or loss	4,926	4,512

(d) The total cash outflow for leases is disclosed in note 29 (c) to the financial statements.

15. INTANGIBLE ASSETS

	Software license RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	13,479	4,716	18,195
Additions – acquired	20,338	–	20,338
Additions – internal development	–	21,023	21,023
Amortisation provided during the year *(note 6)*	(5,326)	(2,073)	(7,399)
At 31 December 2021	28,491	23,666	52,157
At 31 December 2021:			
Cost	38,556	26,527	65,083
Accumulated amortisation	(10,065)	(2,861)	(12,926)
Net carrying amount	28,491	23,666	52,157

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15. INTANGIBLE ASSETS (CONTINUED)

	Software license RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	10,241	899	11,140
Additions – acquired	5,778	–	5,778
Additions – internal development	–	4,605	4,605
Amortisation provided during the year *(note 6)*	(2,540)	(788)	(3,328)
At 31 December 2020	13,479	4,716	18,195
At 31 December 2020:			
Cost	18,217	5,504	23,721
Accumulated amortisation	(4,738)	(788)	(5,526)
Net carrying amount	13,479	4,716	18,195

Development costs start to be amortised once the intellectual property rights are obtained. They are amortised using the straight-line basis over the commercial lives not exceeding three years. The carrying amount of deferred development costs assets start to be amortised was RMB 1,931,000 during the year ended 31 December 2021 (2020: RMB4,933,000).

16. INVESTMENTS IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of net assets	**4,017**	–

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16. INVESTMENTS IN AN ASSOCIATE (CONTINUED)

Particulars of the associate is as follows:

Name	Particulars of held issued shares	Place of incorporation/ registration and business	Date of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Beijing Yinxin Communication Technology Co.,Ltd (北京銀信通合科技有限公司)*	Ordinary shares	PRC/ Mainland China	21 March 2018	40	Software development and maintenance

* The English name of this company represents the best effort made by the management of the Company to directly translate the Chinese name as it does not register any official English name.

The Group's shareholdings in the associate is held through a wholly-owned subsidiary of the Company.

The following table illustrates the aggregate financial information of the Group's associate that is not individually material.

	2021 RMB'000	2020 RMB'000
Share of the associate's profit for the year	17	–
Share of the associate's total comprehensive income	17	–
Carrying amount of the Group's investments in the associate	4,017	–

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted equity investments, at fair value		
Beijing Fuhuajiaxin Business Incubator Company Limited. ("Fuhuajiaxin")	2,280	–

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

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18. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**184,587**	109,091
Impairment	**(5,863)**	(1,843)
	178,724	107,248

Trade receivables represented the outstanding invoiced values for software development services, technical and maintenance services and sale of standard software receivable from the customers.

The Group's trading terms with its customers are mainly on credit. For software development services, the credit period granted to the customers is normally 30 to 180 days upon issuance of invoice and receipt of acceptance from customers during the course of contracts. The forms of acceptance evidenced the satisfaction from the customers of the progress of completion. For the sale of standard software, the credit period granted to the customers is normally 30 to 180 days after the goods were accepted by the customers, except for new customers, where payment in advance is normally required. For technical and maintenance services, the credit period granted to the customers is normally due upon completion of the service or 30 to 180 days from the date of billing.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of the largest state-owned financial institutions, hospitals, state-owned companies and large listed companies in Mainland China, there is certain concentration of credit risk, details of which are set out in note 34 to the financial statements. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the recognition date of gross trade receivables and net of provision, is as follows:

	2021 RMB'000	2020 RMB'000
Within 90 days	**60,434**	46,507
91 to 180 days	**27,765**	14,592
181 days to 1 year	**34,400**	22,627
1 year to 2 years	**44,995**	23,522
2 year to 3 years	**11,130**	–
	178,724	107,248

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18. TRADE RECEIVABLES (CONTINUED)

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	1,843	941
Provision for expected credit losses	4,020	902
At the end of year	5,863	1,843

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The Group develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and also adjusted these loss trends for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

31 December 2021	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 180 days	88,990	0.89%	791
181 days to 1 year	35,346	2.68%	946
1 to 2 years	47,183	4.64%	2,188
2 to 3 years	13,068	14.83%	1,938
	184,587		5,863

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18. TRADE RECEIVABLES (CONTINUED)

31 December 2020	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 180 days	61,259	0.26%	160
181 days to 1 year	23,184	2.40%	557
1 to 2 years	24,648	4.57%	1,126
	109,091		1,843

19. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Contract assets	**66,676**	42,277	23,488
Impairment	**(1,574)**	(368)	(58)
	65,102	41,909	23,430
Analysed into:			
Current portion	**64,066**	40,507	22,635
Non-current portion	**1,036**	1,402	795

Contract assets are initially recognised for revenue earned from software development services as the receipt of consideration is conditional on the successful acceptance by the customers. Upon completion of the contracts and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2021 and 2020 were the result of the increase in software development services at the end of the year.

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19. CONTRACT ASSETS (CONTINUED)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	64,066	40,507
After one year	1,036	1,402
Total contract assets	65,102	41,909

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	368	58
Provision for expected credit losses	1,206	310
At end of year	1,574	368

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. These loss trends determined by referencing to credit rating data are then adjusted for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets based on loss-rate statistics:

	2021	2020
Expected credit loss rate	2.36%	0.87%
Gross carrying amount (RMB'000)	66,676	42,277
Expected credit losses (RMB'000)	1,574	368

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Non-current portion		
Deposits	**1,602**	1,478
Current portion		
Prepayments	**3,172**	6,935
Deposits and other receivables	**2,258**	1,668
	5,430	8,603

At the end of each reporting period, the amounts due from non-trade debtors were unsecured and interest-free. None of the above assets was either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The credit exposures of the above balances have no significant increase in credit risk since initial recognition, the Group is required to provide for 12-month expected credit losses. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the reporting period, the Group estimated the expected loss rate for the above receivables to be insignificant.

21. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**548,781**	69,131
Less:		
Pledged deposits	**(1)**	–
Restricted bank deposits	**(24,522)**	–
Cash and cash equivalents	**524,258**	69,131
Denominated in:		
RMB	**168,224**	68,393
US$	**674**	687
HK$	**379,883**	51

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21. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND PLEDGED DEPOSITS (CONTINUED)

The balance of restricted bank deposits as at 31 December 2021 mainly represented a bank account of the Company with Bank of Ningbo Co., Ltd., Beijing Branch ("Bank of Ningbo")，which was under restricted use as of 31 December 2021,and mainly because the account had not been used for more than 6 months and a stop payment setting (receiving only but not paying) was made to ensure the safety of the account in accordance with the regulations of Bank of Ningbo.The bank account has resumed normal use as of the date of this report.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	RMB'000
Within 3 months	**10,345**	6,248
3 to 6 months	**–**	3
6 months to 1 year	**1,306**	–
Over 1 year	**–**	14
	11,651	6,265

The trade payables are non-interest-bearing and are normally settled on 360-day terms.

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23. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December that are expected to be recognised within one year:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Software development services	**485**	1,210	1,384
Technical and maintenance services	**131**	161	116
	616	1,371	1,500

Contract liabilities include short-term advances received to provide software development services and technical and maintenance services. The decrease in contract liabilities in 2021 and 2020 were mainly due to the decrease in short-term advances received from customers in relation to the provision of software development services and technical and maintenance services at the end of the year.

24. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Salaries and welfare payables	**25**	8,527
Other tax payables	**1,677**	2,401
Other payables	**4,342**	11,942
	6,044	22,870

Other payables are non-interest-bearing and repayable on demand.

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25. DEFERRED TAX

Deferred tax assets

	2021		
	Book-tax difference of amortisation of intangible assets RMB'000	Impairment of trade receivables and contract assets RMB'000	Total RMB'000
At 1 January	–	333	333
Deferred tax credited to profit or loss during the year *(note 10)*	218	783	1,001
At 31 December	218	1,116	1,334

	Impairment of trade receivables and contract assets 2020 RMB'000
At 1 January	128
Deferred tax credited to profit or loss during the year *(note 10)*	205
At 31 December	333

The Group has tax losses arising in Mainland China of RMB 44,000 (2020: nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognised deferred tax assets at 31 December 2021.

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26. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**4.6**	**2022**	**5,000**	5-5.2	2021	15,000

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,000**	15,000

27. SHARE CAPITAL

Shares

	2021 RMB'000	2020 RMB'000
Authorised:		
50,000,000,000 (2020:50,000,000,000) ordinary shares of US$0.000001 each	**349**	349
Issued and fully paid:		
786,514,400 (2020: 600,000,000) ordinary shares of US$0.000001 each	**5**	4

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27. SHARE CAPITAL (CONTINUED)

Shares (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Par value	Share capital	Share capital
		US$	US$	RMB'000
At 1 January 2020	600,000,000	0.000001	600	4
At 31 December 2020 and 1 January 2021	600,000,000	0.000001	600	4
Issue of shares on 6 January 2021 *(Note (a))*	200,000,000	0.000001	200	1
Shares repurchased *(Note (b))*	(13,485,600)	0.000001	13	-*
As at 31 December 2021	786,514,400	0.000001	787	5

* Less than RMB1,000.

Notes:

(a) On 6 January 2021, the Company was listed on the Main Board of Stock Exchange with the stock code 09600 and made an offering of 200,000,000 ordinary shares at a price at HK$4.36 per share.

(b) The Company purchased 13,485,600 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$29,685,424 which was paid wholly out of cash in accordance with section 257 of the Hong Kong Companies Ordinance. The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares of HK$29,685,424 has been charged to share capital and share premium of the Company.

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28. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity on page 79 of the financial statements.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve represents the difference between the aggregate of the paid up share capital of the subsidiaries and the consideration paid by the Group for the business combination under common control.

(c) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries of the Group, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(d) Exchange fluctuation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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28. RESERVES (CONTINUED)

(d) Exchange fluctuation reserve (Continued)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	71,996	–	–	71,996
Capital contribution by shareholders of the Company	3,467			3,467
Exchange fluctuation reserve		(4,335)		(4,335)
Loss for the year			(9,766)	(9,766)
At 31 December 2020 and 1 January 2021	75,463	(4,335)	(9,766)	61,362
Translation from functional currency to presentation currency	–	(9,657)	–	(9,657)
Loss for the year	–	–	(13,130)	(13,130)
Total comprehensive income for the year	–	(9,657)	(13,130)	(22,787)
Issue of shares	726,637	–	–	726,637
Share issue expenses	(67,649)	–	–	(67,649)
Shares repurchased	(24,370)	–	–	(24,370)
At 31 December 2021	**710,081**	**(13,992)**	**(22,896)**	**673,193**

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29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,333,000 (2020: RMB126,000), in respect of lease arrangements for office buildings.

For the year ended 31 December 2020, amounts due to shareholders of RMB37,000,000 were transferred to the share capital of Beijing Newlink.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000
At 1 January 2021	**8,684**	**15,000**
Changes from financing cash flows	**(4,470)**	**(10,000)**
New leases	**1,333**	**–**
Interest expense	**464**	
Interest paid classified as operating cash flows	**(464)**	**–**
At 31 December 2021	**5,547**	**5,000**

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000
At 1 January 2020	12,368	–
Changes from financing cash flows	(3,480)	15,000
New leases	126	–
Covid-19-related rent concessions from lessors	(330)	–
Interest expense	614	–
Interest paid classified as operating cash flows	(614)	–
New bank loans		
At 31 December 2020	8,684	15,000

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29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows are as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	869	614
Within financing activities	4,718	3,480
	5,587	4,094

30. COMMITMENTS

The Group has various contracted, but not provided short-term lease commitments at the end of 31 December 2021 (2020:nil). The future lease payments for these non-cancellable lease contracts are RMB287,000 due within one year.

31. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
Beijing Guanruitong E-Commerce Technology Company Limited ("Guanruitong")	Entity controlled by the controlling shareholder
Mr. Zhai Shuchun	The controlling shareholder and chief executive
Beijing Yinxintonghe Technology Company Limited ("Yinxintonghe")	An associate
Beijing Fuhuajiaxin Business Incubator Company Limited ("Fuhuajiaxin")	Entity controlled by a close member of Mr. Zhai Shuchun.

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material related party transactions during the years ended 31 December 2021 and 2020:

a) Transactions with a related party

	2021 RMB'000	2020 RMB'000
Purchase of office supplies from Guanruitong	–	21
Provide technical services to Guanruitong	2,102	–
	2,102	21

The provision of technical services to the related party and the purchase of office supplies from the related party were made according to the prices and terms agreed between the parties.

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Other transactions with related parties

(i) During the year, Beijing Newlink invested RMB2,280,000 for 10% equity interest in Fuhuajiaxin. As further detailed in note 17 to the financial statements.

c) Outstanding balances with related parties

Amounts due from a related party

	2021 RMB'000	2020 RMB'000
Guanruitong	2,102	–

The balances are unsecured, interest-free and repayable on demand. The amount due from Guanruitong is trade in nature.

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses.

d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,021	2,033
Pension scheme contributions	291	240
Fees	299	–
	2,611	2,273

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

Financial assets at amortised cost

	2021 RMB'000	2020 RMB'000
Trade receivables	178,724	107,248
Financial assets included in prepayments, deposits and other receivables	2,258	1,668
Long term deposits	1,602	1,478
Amounts due from a related party	2,102	–
Cash and cash equivalents	524,258	69,131
Pledged deposits	1	–
Restricted bank deposits	24,522	–
	733,467	179,525

Financial assets designated at fair value through profit or loss mandatorily designated as such:

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through profit or loss	2,280	–

Financial liabilities at amortised cost

	2021 RMB'000	2020 RMB'000
Trade payables	11,651	6,265
Lease liabilities	5,547	8,684
Interest-bearing bank borrowings	5,000	15,000
Financial liabilities included in other payables and accruals	4,342	11,942
	26,540	41,891

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2021, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade payables, Interest-bearing bank and financial liabilities included in other payables and accruals reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values：

The fair values of long-term deposits and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk were assessed to be insignificant. For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model. The carrying amounts of the unlisted equity investments at fair value through profit or loss is the same as the fair value.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments

Assets measured at fair value:

As at 31 December 2021 :	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Equity investments designated at fair value through profit or loss	–	–	2,280	2,280

Assets for which fair values are disclosed:

As at 31 December 2021 :	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Long-term deposits	–	1,602	–	1,602

As at 31 December 2020 :	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term deposits	–	1,478	–	1,478

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, contract assets, other receivables, due from a related party, equity investments designated at fair value through profit or loss, long-term deposits, cash and cash equivalents, pledged deposits, restricted bank deposits, trade payables, interest-bearing bank borrowings, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Foreign currency risk

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in HK$ and US$. Any significant exchange rate fluctuations of HK$ against RMB may have financial impacts on the Group.

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. Nevertheless, the Group will from time-to-time review and adjust the Group's hedging and financing strategies based on the RMB and HK$ exchange rate movement.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before (or after) tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts):

	Increase/ (decrease) in US$/HK$ rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2021			
If the RMB strengthens against the US$	**(5%)**	**(34)**	**(29)**
If the RMB weakens against the US$	**5%**	**34**	**29**
If the RMB strengthens against the HK$	**(5%)**	**–**	**(18,994)**
If the RMB weakens against the HK$	**5%**	**–**	**18,994**
2020			
If the RMB strengthens against the US$	(5%)	(34)	(29)
If the RMB weakens against the US$	5%	34	29
If the RMB strengthens against the HK$	(5%)	(3)	(3)
If the RMB weakens against the HK$	5%	3	3

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, trade receivables, deposits and other receivables, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 18 and 20 to the financial statements.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty, by geographical region and by product type.

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's five largest debtors.

	2021 %	2020 %
Percentage of total trade receivables due from:		
Group's five largest trade debtors	54	53

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on credit rating unless other information is available without undue cost or effort, as at 31 December 2020 and 2021. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Long term deposit					
– Not yet past due***	1,602	–	–	–	1,602
Contract assets*	–	–	–	66,676	66,676
Trade receivables *	–	–	–	184,587	184,587
Amounts due from a related party	2,102	–	–	–	2,102
Financial assets included in prepayments, deposits and other receivables					
– Normal **	3,860	–	–	–	3,860
Cash and cash equivalents					
– Not yet past due	524,258	–	–	–	524,258
Pledged deposits	1				1
Restricted bank deposits	24,522	–	–	–	24,522
	556,345	–	–	251,263	807,608

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Long term deposit					
– Not yet past due***	1,478	–	–	–	1,478
Contract assets*	–	–	–	42,277	42,277
Trade receivables *	–	–	–	109,091	109,091
Financial assets included in prepayments, deposits and other receivables					
– Normal **	3,146	–	–	–	3,146
Cash and cash equivalents					
– Not yet past due	69,131	–	–	–	69,131
	73,755	–	–	151,368	225,123

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the loss rate approach is disclosed in notes 18 and 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables, and amounts due from related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful"

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2021					
	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade payables	10,345	–	1,306	–	–	11,651
Lease liabilities	–	1,308	2,312	2,214	–	5,834
Interest-bearing bank borrowings	–	58	5,032	–	–	5,090
Financial liabilities included in other payables and accruals	–	4,342	–	–	–	4,342
	10,345	5,708	8,650	2,214	–	26,917

	2020					
	On demand RMB'000	Less than three months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade payables	6,251	–	–	14	–	6,265
Lease liabilities	–	1,079	1,988	4,429	1,872	9,368
Interest-bearing bank borrowings	–	190	15,326	–	–	15,516
Financial liabilities included in other payables and accruals	–	11,942	–	–	–	11,942
	6,251	13,211	17,314	4,443	1,872	43,091

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The current capital structure of the Group only includes equity comprising share capital, reserves and retained profits. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of any existing debts and manage the asset-liability ratio. The Group's overall strategy remained unchanged during the reporting period.

The asset-liability ratio as at the end of each reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Total assets	**873,338**	258,480
Total liabilities	**34,067**	59,107
Asset-liability ratio	**4%**	23%

35. EVENTS AFTER THE REPORTING PERIOD

On January 7, 2022, Beijing Newlink Technology Company Limited, a wholly-owned subsidiary of the Company, used RMB100 million to subscribe for a structured deposit product issued by Bank of Ningbo Co., Ltd. for a term of 91 days. For details, please refer to the announcement of the Company dated 7 January 2022.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		–*	–*
Total non-current assets		–*	–*
CURRENT ASSETS			
Due from subsidiaries		302,357	70,380
Prepayments, deposits and other receivables		1,783	1,196
Restricted bank deposits		24,522	–
Cash and cash equivalents		354,773	9
Total current assets		683,435	71,585
CURRENT LIABILITIES			
Other payables and accruals		781	10,217
Due to a subsidiary		9,456	2
Total current liabilities		10,237	10,219
NET CURRENT ASSETS		673,198	61,366
Net assets		673,198	61,366
EQUITY			
Share capital	27	5	4
Reserves	28	673,193	61,362
Total equity		673,198	61,366

* Less than RMB1,000.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 31 March 2022.