NEWLINK TECHNOLOGY INC.
新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9600

2022
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.

"2023 AGM"	the AGM to be held on 9 June 2023
"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 15 August 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 8 November 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

DEFINITIONS

"Global Offering"	the Hong Kong public offering and the international offering of shares in connection with the IPO
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the Company's initial public offering of its Shares
"Listing Date"	6 January 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 6 November 2019 and wholly-owned by Mr. Zhai
"Neusoft Yuetong"	Beijing Neusoft Yuetong Software Technology Co., Ltd.* (北京東軟越通軟件技術有限公司), a company established under the laws of the PRC with limited liability on 23 July 2009. In June 2022, Newlink Technology (Beijing) entered into an equity transfer and capital increase agreement with the shareholders of Neusoft Yuetong and Neusoft Yuetong to conditionally purchase 100% equity interest in Neusoft Yuetong
"Newlink Technology (Beijing)"	Newlink Technology (Beijing) Co., Ltd.* (紐領科技(北京)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 5 December 2020
"Prospectus"	the prospectus of the Company dated 21 December 2020
"Remuneration Committee"	the remuneration committee of the Board

DEFINITIONS

"Reporting Period"	the year ended 31 December 2022
"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
"%"	per cent

* *For identification purposes only*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHAI Shuchun *(Chairman and CEO)*
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 Hong Kong
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

CCTH CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 1510-1517, 15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

COMPLIANCE ADVISOR

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

PRINCIPAL BANKS

China CITIC Bank
Beijing Guanhuguoji Sub-branch
1/F and 2/F
Building A-1, Yard 88
North East Fourth Ring Road
Chaoyang District, Beijing
the PRC

Huaxia Bank
Beijing Zhichun Sub-branch
Lixiang Building
No. 111 Zhichun Road
Haidian District, Beijing
the PRC

China Merchants Bank
Beijing Shangdi Sub-branch
South End of Xinxi Road, Shangdi, 1/F, Block B
Building 2, Guiguliangcheng, 1 Nongda Road
Haidian District, Beijing
the PRC

China Merchants Bank
Dalian Branch Xinghai Sub-branch
700 Zhongshan Road, Shahekou District
Dalian City, Liaoning Province
the PRC
(next to Exit A of Heishijiao Metro Station)

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
Wan Chai
Hong Kong

STOCK CODE

Stock code: 9600

WEBSITE

www.xnewtech.com

MILESTONES IN 2022

Timeline	**Events**
January	Won the "Investor Relationship Pioneer Award (投關先鋒獎)" for shares listed in Hong Kong and the United States of 2021
	The "Newlink Technology Stock Investment Automation Approval RPA Application Case" was awarded as the "'Smart Craftsman' RPA Excellent Case of 2022"
April	Newlink RPA V4.0 and Newlink RPA Integrated Machine V4.0, independently developed by the Company, successfully obtained the joint certification certificate issued by the General Software and Hardware Adaption Certification Center
May	Beijing Newlink purchased 10% equity interest in Fuhua Incubator to further explore and incubate outstanding seed projects in the upstream and downstream of the industry chain through Fuhua Incubator, thereby accelerating the Company's strategic deployment in the artificial intelligence and big data industry
	Launched the upgraded version of the "Hospital Medical Quality Supervision and Safety Early Warning Management Platform V6.0", the "Medical Document Data Structuring and Management Platform V5.0", etc.
June	Successively launched the "National Health Information Platform V2.0", the "Medical Index Center System V2.0", etc.
	Newlink Technology (Beijing) entered into an equity transfer and capital increase agreement with the shareholders of Neusoft Yuetong and Neusoft Yuetong to conditionally purchase 100% equity interest in Neusoft Yuetong
August	Beijing Newlink established a subsidiary in Chengdu to further develop the market in Southwest China
September	Participated in the "World Artificial Intelligence Conference 2022" as an exhibitor
	Newly launched the "Cloud Data Center Machine Processing Automation Platform V1.0"
November	Mr. Zhai was recognized as a "Digital Drivers of the Year in 2022"
	Our independently developed "Medical Document Data Structuring and Management Platform" won the "2022 Product Innovation Award"
December	Invited to attend and deliver a keynote speech at the online "Seventh China Telemedicine Conference" guided by the Health Development Research Center of the National Health Commission and hosted by the General Hospital of the Chinese People's Liberation Army and the Telemedicine Branch of the Chinese Geriatrics Society
	Beijing Newlink officially signed the Commercial Property Sale and Purchase Agreements for the purchase of office space in Chengdu

FINANCIAL SUMMARY

	For the Year Ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**260,554**	205,752	176,147	148,970	120,571
Gross profit	**70,459**	74,598	92,402	73,158	57,783
Profit before tax	**20,795**	17,015	40,284	38,235	35,410
Income tax expenses	**(3,356)**	(3,968)	(8,255)	(5,122)	(4,287)
Profit for the year	**17,439**	13,047	32,029	33,113	31,123
Profit attributable to:					
Owners of the parent	**17,488**	13,047	32,029	33,106	31,123
Non-controlling interests	**(49)**	–[1]	–[1]	7	–

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**991,204**	873,338	258,480	245,118	123,688
Total liabilities	**108,593**	34,067	59,107	58,221	48,404
Equity attributable to owners of the parent company	**880,153**	837,764	197,866	185,390	75,284
Non-controlling interests	**2,458**	1,507	1,507	1,507	–
Total equity	**882,611**	839,271	199,373	186,897	75,284

Note:

1. Less than RMB1,000.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Looking back on the bumpy journey in 2022 where the international environment was full of turmoil and China's reform, development and stability tasks were arduous, IT service-related industries suffered setbacks as a result of the impact of the COVID-19 pandemic. Inevitably, the Group's road to business development was uneven, with difficulties to be solved urgently and obstacles to be overcome. Despite the uneven road ahead, we have withstood the challenge. In 2022, although the Group's business was adversely affected by various factors including the prolonged project implementation as a result of the ongoing COVID-19 pandemic, which led to increased cost and extended customer payment cycle, the Group managed to maintain an accelerated growth in performance and achieve increase in net profit with persistent and rapid growth in revenue. Specifically, revenue increased by 26.6% to RMB260.6 million from RMB205.8 million in 2021, and net profit increased by 33.8% to RMB17.4 million from RMB13.0 million in 2021. In addition, since its listing, the Group has continuously invested heavily in research and development. On the one hand, it has invested in the research and development of corresponding solutions and software products according to the utilization plan of the proceeds; and on the other hand, it has also speeded up to invest heavily in the research and development of technologies related to artificial intelligence and big data analysis. In 2022, the Group's research and development expenses were RMB19.1 million, representing a significant increase of 114.6% from RMB8.9 million in 2021. The continuous substantial investment in research and development of innovative products and technologies enabled the Group to be poised to achieve sustained and rapid development in the future while ensuring its profit growth.

In 2022, the Group continued to focus on increasing investment in the research and development of artificial intelligence and big data solutions and its promotion of the same in various industries. Revenue from our innovative solutions powered by artificial intelligence and big data analysis technologies recorded a year-on-year increase of 9.6% from RMB119.1 million to RMB130.5 million, accounting for 50.1% of total revenue in 2022. The Group successively launched various artificial intelligence and big data solutions and products including the "Medical Quality Control and Safety Warning System V6.0", the "Medical Document Data Structured and Management Platform V5.0" and the "AI-based Structured Medical Record Quality Comprehensive Management Platform V5.0". At the same time, the products independently developed by the Group have also been recognized by third parties such as industry experts and the market. Our "Newlink Technology Stock Investment Automation Approval RPA Application Case" won the "'Smart Craftsman' RPA Excellent Case of 2022 (2022「智匠」RPA 優秀案例)"; our "Newlink RPA V4.0" and "Newlink RPA Integrated Machine V4.0" has successfully obtained the joint certification certificate issued by the General Software and Hardware Adaptation Certification Center; our representative series products including Newlink RPA series products and medical document structuring and data platform of Newlink Technology debuted at the "2022 World Artificial Intelligence Conference" held in Shanghai in September 2022; our "Medical Document Data Structure and Management Platform" was awarded the "2022 Product Innovation Award (2022年度產品創新獎)"; and I was also honored as one of the "Digital Drivers of the Year in 2022 (2022年度數字化推動力人物)" due to my continuous and in-depth cultivation in the field of digitalization.

CHAIRMAN'S STATEMENT

In 2022, the Group further expanded its presence in the market of Southwest China through establishment of Chengdu Newlink Technology Co., Ltd. and acquisition of Beijing Neusoft Yuetong Software Technology Co., Ltd. ("**Neusoft Yuetong**"), aiming to expand its customer base in finance, transportation and logistics fields, also to enhance the Company's strength in SaaS service sector, and improve its technology R&D capabilities. With the rapid development of the Group's business and the continuous expansion of its business scale, the currently leased office premise can no longer meet the needs of our further development. At the end of 2022, taking into account various factors such as maximizing cost-effectiveness, enhancing its own risk tolerance, optimizing asset structure and introducing outstanding talents, the Group officially entered into a contract to purchase office premise in Chengdu, thus providing a strong guarantee for its future development. The purchase of new office premise marked that the development of Newlink Technology has reached a new level and entered the period of rapid development.

In 2023, the Group will continue to optimize its process, motivate the organization, recruit talents, guide the market development and capability enhancement in terms of culture and mechanism, and build a disciplined workforce which is dedicated to and capable of achieving continuous success. In 2023, we will further improve the Group's management model and improve various control mechanisms to promote business development. In 2023, we shall dare to grasp the opportunities for digital economic development brought about by the social and economic recovery, continue to innovate and forge ahead; and through market development, we will prove our capabilities, improve our products, deepen our solutions and advance our core technologies. In 2023, we are full of confidence that Newlink Technology, as an influential artificial intelligence and big data solution service provider in China, will make unremitting efforts to actively embrace new opportunities and challenges, act as a good promoter and practitioner of innovation, and create long-term value for our investors.

Mr. ZHAI Shuchun
Chairman and Chief Executive Officer

31 March 2023

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS

The Board currently consists of six Directors, comprised of three 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)	57	Executive Director, Chairman and CEO	8 November 2019
Ms. QIN Yi (秦禕)	45	Executive Director and deputy general manager	30 December 2019
Mr. LI Xiaodong (李小東)	35	Executive Director and deputy general manager	30 December 2019
Independent Non-executive Directors			
Mr. TANG Baoqi (唐保祺)	63	Independent Non-executive Directors	5 December 2020
Mr. YE Jinfu (葉金福)	47	Independent Non-executive Directors	5 December 2020
Ms. YANG Juan (楊鵑)	60	Independent Non-executive Directors	30 November 2021

Executive Directors

Mr. ZHAI Shuchun (翟曙春), aged 57, is our executive Director, the chairman of the Board and chief executive officer, and a director of our certain subsidiaries. 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. Mr. Zhai has over 27 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) ("**Guanruitong**") 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. He is the father of Mr. ZHAI Guanhua.

DIRECTORS AND SENIOR MANAGEMENT

Ms. QIN Yi (秦禕), aged 45, 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 12 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 35, 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 12 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.

Independent Non-executive Directors

Mr. TANG Baoqi (唐保祺), aged 63, 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 32 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YE Jinfu (葉金福), aged 47, 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 22 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) from December 2016 to January 2023, an independent non-executive director at Capital Securities Co., Ltd. (首創證券有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 601136) 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) from November 2017 to December 2022, 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.

Ms. YANG Juan (楊鵑), aged 60, 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 31 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 57, 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. QIN Yi (秦禕), aged 45, is our executive Director and deputy general manager. 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 35, is our executive Director and deputy general manager. His biographical details are set out above under the section headed "Directors and Senior Management – Our Directors" in this annual report.

Ms. ZHANG Xiushi (張琇石), aged 38, is a joint company secretary and deputy general manager 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, was appointed as a director of Beijing Newlink in December 2019 and as a joint company secretary of our Company in February 2020, and was appointed as the deputy general manager of the Company in February 2023. 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAI Guanhua (翟冠華先生), aged 31, is our chief financial officer. Mr. Zhai Guanhua joined the Group in September 2022 and has served as the chief financial officer of the Group from 5 September 2022. He has extensive experience in financial management, financial analysis, investment and financing decisions, corporate operations and corporate governance. Mr. Zhai Guanhua has been the executive director and the general manager of Beijing Fullhouse Investment Management Co., Ltd. (北京富華佳信投資管理有限公司) since July 2018. Prior to that, Mr. Zhai Guanhua served as a financial advisor at Morgan Stanley (San Francisco) from July 2016 to March 2018 and the executive director and the general manager of Beijing Fuhuajiaxin Business Incubator Co., Ltd. (北京富華佳信企業孵化器有限公司) from July 2021 to August 2022. Mr. Zhai Guanhua graduated from Syracuse University in 2014 and New York University in 2016, and obtained a bachelor's degree in finance and a master's degree in talent management, respectively. He has been studying an MBA in finance at Tsinghua University since September 2021. He is the son of Mr. Zhai Shuchun, Chairman of the Board and CEO.

Mr. TIAN Weihai (田維海), aged 55, is the deputy general manager of the Company. He is responsible for the daily operation and management of Beijing Neusoft Yuetong Software Technology Co., Ltd. Mr. Tian joined the Group in July 2022 as the general manager of Beijing Neusoft Yuetong Software Technology Co., Ltd., and was appointed as the deputy general manager of the Company in February 2023. Mr. Tian has served as the general manager of Beijing Neusoft Yuetong Software Technology Co., Ltd. since September 2015. He served as the administrative director of North China Region of Neusoft Group (Beijing) Co., Ltd.* (東軟集團(北京)有限公司) from November 2005 to August 2015, and he was in the Chinese People's Liberation Army from October 1985 to March 2005, during which he served as the deputy regimental secretary of the Strategic Teaching and Research Department of the National Defense University. Mr. Tian obtained a bachelor's degree in automotive application engineering from the Transportation Engineering Institute of the Chinese People's Liberation Army in July 1991.

Mr. PAN Zehua (潘澤華), aged 48, is the deputy general manager of the Company. He is responsible for the research and development management and solution service delivery management of the Company. Mr. Pan joined the Group in October 2017 as the vice president of Beijing Newlink Technology Co., Ltd., and he was appointed as the deputy general manager of the Company in February 2023. Prior to joining us, Mr. Pan served as the assistant to the president of Beijing UFC Co., Ltd. (北京聯銀通科技有限公司) from November 2000 to October 2017. Mr. Pan obtained a bachelor's degree in computer software and application from Shanghai Railway University in July 1996. He has been certified as an IPMA B-level senior project manager, and passed the MSP (programme management) and P3O (project management office) certifications issued by OGC of the United Kingdom.

Mr. DING Yaoxin (丁耀欣), aged 46, is the deputy general manager of the Company. He is responsible for the program design and product promotion management of the Company. Mr. Ding joined the Group in October 2017 as the assistant to the president of Beijing Newlink Technology Co., Ltd., and was appointed as the deputy general manager of Beijing Newlink Technology Co., Ltd. in March 2021 and the vice president of the Company in February 2023, respectively. Prior to joining us, Mr. Ding served as the general manager of the 3rd Software Business Division of Beijing UFC Co., Ltd. (北京聯銀通科技有限公司) from April 2006 to October 2017. Mr. Ding obtained a bachelor's degree in computer application software from Jilin University in July 2009, and was qualified as an Certified Information System Auditor (CISA) in August 2021.

Mr. MAO Qilong (毛啟龍), aged 38, is our deputy general manager. He mainly assists the general manager of the Company in handling the daily affairs of the Company. 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 14 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 and deputy general manager of our Company, being responsible for secretarial matters of our Company. Her biographical details are set out in the section headed "Directors and Senior Management – Senior Management" of this annual report.

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 company secretary or joint company secretary of a number of companies listed on the Main Board of the Stock Exchange. Ms. Ho has over 27 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 independently developed software products in China, Newlink Technology has long been focusing on the application of innovative IT solutions, which concentrate on the application of advanced technology innovations such as artificial intelligence and big data analysis, in various fields, and continuously provide high value-added IT solution services to customers in both specific and general industries. On the one hand, the Company continues to maintain its product and service advantages in specific industries such as finance, medical care and transportation. On the other hand, with the Company's continuous deployment in the SaaS service sector and the implementation of the strategy to vigorously research and develop innovative solutions, the innovative IT solution service business demonstrates strong development momentum and remarkable market competitive advantages.

In 2022, as the Group's business was adversely affected by various factors including the prolonged project implementation as a result of the ongoing COVID-19 pandemic, which led to further increased cost contribution and extended customer payment cycle, cost of sales increased by 45.0% from RMB131.1 million in 2021 to RMB190.1 million in 2022. However, the Group has withstood the challenge, maintained an accelerated development of its performance and achieved growth in both revenue and net profit. Specifically, revenue achieved a rapid increase of 26.6% from RMB205.8 million in 2021 to RMB260.6 million. Under the combined effect of the substantial increase in revenue from its principal business and the realization of fair value gain on equity investments at fair value through profit or loss, net profit increased by 33.8% from RMB13.0 million in 2021 to RMB17.4 million.

In 2022, consistently regarding the traditional IT solution service business as its foundation, the Group further expanded its service coverage to customers in the fields of transportation and logistics on top of providing high-quality services to customers in the financial industry. In addition, the Group accelerated investment in the research and development of innovative products and technologies, and, while consolidating its market positioning as an artificial intelligence and big data solution service provider, poised itself to achieve sustained and rapid development of innovative solutions in the future to expand its leading edge in the industry. In 2022, the Group achieved growth in revenue from both innovative solutions and traditional IT solutions. Specifically, revenue from our innovative solutions powered by artificial intelligence and big data analysis technologies recorded a year-on-year increase of 9.6% from RMB119.1 million to RMB130.5 million, accounting for 50.1% of total revenue in 2022; and revenue from our traditional IT solutions recorded a year-on-year increase of 50.1% from RMB86.7 million to RMB130.1 million, accounting for 49.9% of total revenue in 2022. In 2022, the Group's research and development expenses was RMB19.1 million, representing a significant increase of 114.6% from RMB8.9 million in 2021. The Group adhered to the development of artificial intelligence and big data as the core technological support to guide solutions, thereby accumulating strength for its sustained and rapid development in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, through acquisition of Neusoft Yuetong, the Group expanded its customer base in the financial, transportation and logistics fields, enhanced the Company's strength in SaaS service sector and improve its technology R&D capabilities. In addition, the Group newly established a holding subsidiary Chengdu Newlink Technology Co., Ltd., and by comprehensively taking into account various factors such as maximizing cost-effectiveness, enhancing its own risk tolerance and further developing the market in Southwest China, Beijing Newlink, a wholly-owned subsidiary of the Group, purchased office premise in Chengdu to establish main office area and R&D center centralized in Chengdu and ramify through Midwest and Southwest China, in order to attract more outstanding talents, enhance its resilience to risks, optimize its asset structure and exercise effective control over R&D costs, thereby providing a strong guarantee for the rapid development of the Group in the future.

Outlook

With the continuous optimization of and adjustment to the pandemic prevention policy at the end of 2022, the pandemic which had lingered on for three years has come to an end. With the gradual recovery of the social economy, in 2023, the development of the IT service industry is set to be full of new opportunities, and will also give us the opportunity to capitalize on new development conditions. In 2023, we will make great strides to catch up with our development plan that was forced to be delayed due to the pandemic, seize the market opportunities brought by the social and economic recovery, and unwaveringly adhere to the direction of focusing on customer needs and helping customers reduce costs and increase efficiency. We will adhere to continuous innovation, and will continue to improve the coordinated operation capability of research and development, promotion and service of innovative technology. Consistently regarding the traditional IT solution service business as its foundation, the Group will accelerate the promotion of wider application of innovative IT solutions and expand its leading edge of innovative products in the industry.

In 2023, the Group will further optimize its process, motivate the organization, recruit talents and accelerate the pace of coordinated development among subsidiaries. By carrying out integrations in various aspects including corporate governance, corporate culture, business operation, technology research and development, financial and human resource management, the Group will optimize its asset structure, strengthen its cost control, give full play to its advantages of complementary resources, accelerate the research and development of more innovative technology applications while effectively converting and promoting competitive products among different customer groups, thereby consolidating its market positioning as an artificial intelligence and big data solution service provider and rapidly improving its overall profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

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, medical care and transportation, but also in general industries; while its traditional solutions were mainly used in the finance industry and transportation industry.

In 2022, the Group recorded a revenue of RMB260.6 million, representing an increase of 26.6% from RMB205.8 million in 2021, and achieved growth in revenue from both innovative solutions and traditional IT solutions. The increase in the Group's revenue in 2022 was mainly because (1) revenue from our innovative solutions powered by artificial intelligence and big data analysis technologies recorded a year-on-year increase of 9.6% from RMB119.1 million to RMB130.5 million, accounting for 50.1% of total revenue in 2022; and (2) revenue from our traditional IT solutions recorded a year-on-year increase of 50.1% from RMB86.7 million to RMB130.1 million, accounting for 49.9% of total revenue in 2022. The rapid growth of revenue from the Group's traditional IT solutions in 2022 was mainly due to the addition to revenue of RMB31.8 million following the Group's expansion of its business presence in the industry, coupled with the fact that the continuous growth of innovative solutions also enabled it to maintain the trend of its contribution accounting for more than half to total revenue for the year.

The following analysis sets forth a breakdown of our revenue for the year of 2021 and 2022, respectively[Note].

Software development services
Our revenue from software development services increased by 7.4% from RMB155.7 million in 2021 to RMB167.2 million in 2022. Among the revenue from software development services, revenue from innovative solutions amounted to RMB84.8 million, accounting for 50.7% of our revenue from software development services. 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 from technical and maintenance services in 2022 amounted to RMB50.6 million, representing a substantial increase of 195.9% from RMB17.1 million in 2021, which was mainly due to the relatively small amount of this type of income recorded by the Group in the same period of last year, and the relatively high increase in revenue from technology and maintenance service as a result of the Group's application of innovative technologies and service models in 2022.

Note: In 2022, the Group maintained its revenue classification method adopted in 2021, and presented its revenue breakdown by software development services, technical and maintenance services, and sales of standard software.

MANAGEMENT DISCUSSION AND ANALYSIS

Sale of standard software

Our revenue from sales of standard software increased by 29.8% from RMB32.9 million in 2021 to RMB42.7 million in 2022. Among the revenue from sales of standard software, revenue from its innovative solutions amounted to RMB41.1 million, accounting for 96.3% of our revenue from sale of standard software. 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 45.0% from RMB131.1 million in 2021 to RMB190.1 million in 2022, 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.

Gross profit and gross profit margin

Our gross profit decreased by 5.5% from RMB74.6 million in 2021 to RMB70.5 million in 2022. Our gross profit margin decreased from 36.3% in 2021 to 27.1% in 2022, mainly attributable to the slower year-on-year growth of our revenue in 2022 as compared with that of our cost of sales.

Other income and gains

In 2022, the Group's other income and gains were RMB10.7 million, representing a substantial increase of 205.7% as compared with 2021, which was mainly due to the increase in bank interest income, value-added tax rebates and other tax subsidies, as well as the exemption of new trade payables and exchange gains.

Fair value gain on equity investments at fair value through profit or loss

In 2022, the Group recorded an increase in fair value gain on equity investments at fair value through profit or loss of a total of RMB14.0 million, which was mainly due to gains on change in fair value of the 19.8% equity interest held in Beijing Fuhuajiaxin Business Incubator Company Limited.

Change in fair value of contingent consideration

In 2022, the Group recorded an increase in change in fair value of contingent consideration of a total of RMB2.7 million, which was mainly due to the fact that the newly acquired subsidiary Neusoft Yuetong failed to fulfill its performance guarantee for the year of 2022.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable as compared with 2021, slightly increasing by 6.2% from RMB11.3 million in 2021 to RMB12.0 million in 2022. The increase in selling and distribution expenses was basically in line with the increase in revenue.

Administrative expenses

In 2022, our administrative expenses remained relatively stable as compared with 2021, slightly decreasing by 8.0% from RMB31.2 million in 2021 to RMB28.7 million in 2022. The decrease in administrative expenses was mainly due to the decrease in listing expenses and post-listing intermediary fees.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

In 2022, our research and development expenses were RMB19.1 million, representing an increase of 114.6% from RMB8.9 million in 2021. The increase in research and development investment of the Group in 2022 was mainly due to the increase of 89 research and development employees as at the end of 2022 as compared with that 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 continuously 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 accelerated in terms of investing heavily in the research and development of technologies related to artificial intelligence and big data analysis. As of the end of 2022, the Group had a total of 173 items of software copyrights, including 18 items of software copyrights newly formed by developing or upgrading innovative solutions in 2022, accounting for 78.3% of the total 23 items of software copyrights newly developed in 2022.

Other expenses

In 2022, our other expenses amounted to RMB11.5 million, representing an increase of 33.7% from RMB8.6 million in 2021, mainly due to the increase in depreciation of fixed assets, amortisation of intangible assets and impairments of accounts receivable.

Finance costs

In 2022, our finance costs remained relatively stable as compared with 2021, slightly increasing from RMB1.1 million in 2021 to RMB1.3 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 RMB20.8 million in 2022, representing an increase of 22.4% from RMB17.0 million in 2021.

Income tax expense

Our income tax expenses decreased by 15% from RMB4.0 million in 2021 to RMB3.4 million in 2022, mainly due to the decrease in income tax expense as a result of the impact of different tax rates promulgated by specific jurisdictions or local authorities and the impact of the increase in non-taxable income.

Profit for the year

Our net profit increased by 33.8% from RMB13.0 million in 2021 to RMB17.4 million in 2022. In 2022, although the Group's business was adversely affected by various factors including the prolonged project implementation as a result of the ongoing COVID-19 pandemic, which led to increased cost contribution and extended customer payment cycle, the Group's business managed to maintain a high-speed development. The persistently rapid increase in revenue and the continuously heavy investment in research and development of innovative products enabled the Group to gain strength for future sustained and rapid development while ensuring profit growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, capital resources and capital structure

In 2022, 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 31 December 2022 amounted to RMB19 million, of which RMB9.55 million became mature on 12 January 2023, with fixed interest rate of 4.6% per annum, RMB5.45 million became mature on 10 February 2023, with fixed interest rate of 4.6% per annum, and RMB4.00 million became mature on 21 January 2023, with fixed interest rate of 3.55% per annum. All of our bank borrowings were primarily used for our daily operation and business expansion.

The Group continued to maintain a healthy and sound financial position. Our net current assets decreased from approximately RMB768.3 million as of 31 December 2021 to approximately RMB689.9 million as of December 31, 2022, which was mainly due to the decrease in balance of cash and cash equivalents and the increase in balance of trade payables and bank borrowings.

Exposure to exchange rate fluctuation

For the year ended 31 December 2022, 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 2022 (2021: future lease payments of RMB0.3 million for such non-cancellable lease contracts). The future lease payments for these non-cancellable lease contracts are RMB0.5 million due within one year.

Contingent Liabilities

As of 31 December 2022, 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 this annual report, as of 31 December 2022, we did not have other substantial future plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries and affiliated companies

On 20 June 2022, Newlink Technology (Beijing), a wholly-owned subsidiary of the Company, entered into an equity transfer and capital increase agreement with shareholders of Neusoft Yuetong (the "**Target Company**") (the "**Sellers**") and the Target Company (the "**Neusoft Yuetong Acquisition**"), pursuant to which Newlink Technology (Beijing) has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, 100% equity interest in the Target Company, and Newlink Technology Beijing has conditionally agreed to make a capital increase to the Target Company, and in this regard, Newlink Technology (Beijing) agreed: (1) to pay the Sellers the equity transfer consideration of RMB80,000,000 in total (subject to the performance compensation arrangement); (2) to succeed the capital contribution obligations of RMB7,430,769 for the Unpaid Registered Capital in the equity interest transferred by Dai Linlin, being one of the Sellers; and (3) to make a capital increase of RMB18,000,000 to the Target Company. The performance guarantee sellers (being the sellers other than Dai Linlin) undertook to Newlink Technology (Beijing) that the Target Company's revenue from principal business and net profit for financial years of 2022, 2023 and 2024 shall not be less than the performance targets. The actual net profit of the Target Company is the after tax net profit attributable to shareholders of the parent company before or after deducting nonrecurring gains and losses in the consolidated audited statements of the target group (the Target Company and its subsidiaries) confirmed by a qualified accounting firm, whichever is lower. For the year ended 31 December 2022, the Target Company recorded the revenue from principal business of RMB63,528,000 and the actual net loss of RMB5,052,379.81. As of 31 December 2022, based on the actual revenue from principal business and net profit achieved by Neusoft Yuetong in the year of 2022, the performance guarantee sellers have not fulfilled the performance guarantee for the year pursuant to the relevant terms of the performance guarantee. The Company will closely monitor the performance guarantee. Upon the expiry of the performance guarantee period, the performance guarantee seller shall make compensation based on the agreed calculation formula. For details, please refer to the announcement of the Company dated 20 June 2022.

(In RMB0'000)

Financial Year	2022	2023	2024	Total
Guaranteed revenue from principal business	6,000	7,200	8,640	21,840
Guaranteed net profit	300	450	675	1,425

On 14 December 2022, Newlink Technology (Beijing), entered into an equity transfer agreement with Guanruitong and Mr. Zhai Shuchun regarding the transfer of 100% equity interests in Jiafutong, pursuant to which Newlink Technology (Beijing) agreed to sell and Guanruitong agreed to purchase 100% equity interests in Jiafutong in accordance with the terms and conditions of the equity transfer agreement with a total consideration of RMB54.37 million (subject to the performance compensation arrangement). After the completion of the transaction contemplated under the equity transfer agreement, Newlink Technology (Beijing) no longer holds any equity interest in Jiafutong, thus the Company will no longer indirectly hold any equity interest in Jiafutong. Jiafutong will cease to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 14 December 2022.

Save as disclosed above, in 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments

In 2022, we did not hold any significant investments nor made any significant acquisition of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Group's assets

As of 31 December 2022, we had no charges on our assets.

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, some of our customers were in industries where digitisation investment was slowing down and customer payment approval and payment cycle were extended, which also exposed us to credit risks of our customers, and our outstanding trade receivables and trade receivables turnover days remained at a relatively high level. As of 31 December 2021 and 31 December 2022, our trade receivables amounted to RMB178.7 million and RMB206.2 million, respectively. Our trade receivables turnover days in 2021 and 2022 were 264 days and 270 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 increased from 1.6% for 2021 to 2.0% for 2022, primarily due to the increase in net profit.

Our gearing ratio increased from 0.6% as of 31 December 2021 to 2.2% as of 31 December 2022, primarily due to the substantial increase in trade payables, bank borrowings, lease liabilities and contingent liabilities. 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 31 December 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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.

The Company has adopted all the applicable 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 throughout the year ended 31 December 2022. 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 for the year ended 31 December 2022.

CORPORATE CULTURE

The Company continuously focuses on corporate compliance culture, and has formulated policies under the *Anti-fraud, anti-corruption and Reporting and Complaint Management Measures* (the "**Anti-Corruption Policy**") to ensure that the Company is in compliance with the Listing Rules and regulatory requirements through continuous supervision by the Board.

In addition, the Board will (i) review the decisions and actions of the Company to assess whether they are in line with its desired corporate culture; (ii) interact with its employees and stakeholders; and (iii) assess whether there are issues requiring attention based on complaints received, whistle-blowers' disclosures, staff turnover and code of conduct/ regulatory violations.

Corporate culture is crucial to the accomplishment of the Company's mission. The Board will maintain and ensure that the Company's goals, values and strategies are highly in line with its corporate culture.

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.

CORPORATE GOVERNANCE REPORT

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 CEO)*
Ms. QIAO Huimin *(resigned on 5 September 2022)*
Ms. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors
Mr. TANG Baoqi
Mr. YE Jinfu
Ms. YANG Juan

The biographical information of the Directors is 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.

The Company recognizes that the Board's access to independent advice is critical to good corporate governance and the effectiveness of the Board. The Board has established a mechanism to ensure that the Board can obtain independent opinions where necessary so as to enhance the objectivity and effectiveness of decision-making. The Board regularly reviews the structure, number and composition of the Board to ensure a balanced mix of executive Directors, non-executive Directors and independent non-executive Directors, so that the Board maintains a strong independent element. When selecting an independent non-executive Director, the Company will examine the independence, professional qualifications, past experiences and working experience of the independent non-executive Director to ensure that the independent non-executive Director has sufficient talents, vision and opportunities to put forward influential independent opinions, so as to ensure that the Board obtains multi-angle thinking directions in decision-making. For the Directors' attendance records at meetings in 2022, please refer to the section headed "Meetings of Board and Board Committees and Directors' Attendance Records" in this annual report. The Directors may seek independent professional advice where necessary, and the relevant expenses shall be borne by the Company. The Board is of the opinion that the aforesaid mechanism is effectively implemented.

Save as disclosed in this annual report and work relationship at the Company, none of the Directors has any relationship with any other Director or chief executive.

CORPORATE GOVERNANCE REPORT

Directors' Attendance Records of Meetings of Board and Board Committees

Pursuant to code provision C.5.1 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 Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. ZHAI Shuchun	12/12	N/A	1/1	1/1	1/1
Ms. QIAO Huimin (Note)	8/8	N/A	N/A	N/A	1/1
Ms. QIN Yi	12/12	N/A	N/A	N/A	1/1
Mr. LI Xiaodong	12/12	N/A	N/A	N/A	1/1
Mr. TANG Baoqi	12/12	4/4	1/1	1/1	1/1
Mr. YE Jinfu	12/12	4/4	N/A	N/A	1/1
Ms. YANG Juan	12/12	4/4	1/1	1/1	1/1

Note: Ms. QIAO Huimin resigned as an executive Director with effective from 5 September 2022.

Chairman and Chief Executive Officer

Pursuant to code provision C.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 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 C.2.1 of the CG Code is appropriate in the circumstances of the Company.

CORPORATE GOVERNANCE REPORT

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 and the non-executive Directors has entered into a service contract/letter of appointment with the Company for a term of not more than three years.

None of the Directors has entered into a service contract/letter of appointment 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 (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.

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 2023 AGM. Mr. ZHAI Shuchun and Ms. QIN Yi, each being an executive Director of the Company, will retire from office and, being eligible, offer themselves for re-election at the 2023 AGM. Details of the re-election are set out in the circular despatched to shareholders together with this annual 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 judgement 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.

CORPORATE GOVERNANCE REPORT

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 C.1.4 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.

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 C.1.4 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 2022 is summarised as follows:

Name of Director	**Training Attended (Note 1)**
Mr. ZHAI Shuchun	√
Ms. QIAO Huimin (note 2)	√
Ms. QIN Yi	√
Mr. LI Xiaodong	√
Mr. TANG Baoqi	√
Mr. YE Jinfu	√
Ms. YANG Juan	√

CORPORATE GOVERNANCE REPORT

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. QIAO Huimin resigned as an executive Director with effective from 5 September 2022.

BOARD COMMITTEES

The Board has established three committees on 5 December 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.

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, 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 four meetings and performed the following works, among others:

(i) reviewed the Group's annual audited financial statements for the year ended 31 December 2021 and interim unaudited financial statements for six months ended 30 June 2022;

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

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

(iv) considered and made recommendations on the change of the auditor.

CORPORATE GOVERNANCE REPORT

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 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.

During the Reporting Period, the Remuneration Committee has held one meeting for reviewing the remuneration of the Directors and senior management and the performance of them annually.

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 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 one meeting 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**").

CORPORATE GOVERNANCE REPORT

Remuneration of Directors and Senior Management

Please refer to Note 11 to the consolidated financial statements for details of remuneration of members of the Board for the year ended 31 December 2022.

Details of the remuneration by band of senior management of the Company, whose biographies are set out on pages 11 to 15 of this annual report, for the year ended 31 December 2022 are set out below:

Remuneration band (RMB)	Number of individuals For the Year Ended 31 December	
	2022	2021
0 – 500,000	**3**	2
500,001 – 1,000,000	**1**	3
1,000,001 – 1,500,000	**1**	0
	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.

As of the date of this annual report, our Board comprises six members, including three 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.

As at 31 December 2022, the gender ratio of the Group's workforce was 70.9% male and 29.1% female. The Company has implemented fair employment practices and recruitment is based on merit and without discrimination. The Company will continue to strive to increase the female representation and strike an appropriate balance of gender diversity with reference to shareholder expectations and recommended best management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 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;

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.

CORPORATE GOVERNANCE REPORT

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;

- 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;

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

- 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 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function and issues related to the issuer's ESG performance and reporting, as well as staff qualifications, experiences, training received, relevant budget and relevant resources.

CORPORATE GOVERNANCE REPORT

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 31 December 2022 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.

EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditors, CCTH CPA Limited, in respect of audit services and non-audit services during the year were set out below:

	2022 RMB
Audit services	1,150,000
Non-audit services	350,000
Total	**1,500,000**

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.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

According to the dividend policy adopted on 5 December 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.

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.

CORPORATE GOVERNANCE REPORT

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).

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. The Board of the Company has reviewed the implementation and effectiveness of the Shareholder Communication Policy and believes that the Shareholder Communication Policy has enabled the Company to maintain effective communication with its shareholders.

CONSTITUTIONAL DOCUMENTS

The amendments to the Articles of Association were passed at the AGM on 10 June 2022. Details of such amendments are set out in the Company's circular dated 26 April 2022. The latest version of the Articles of Association is also published on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Report Content

This Environmental, Social and Governance ("ESG") Report ("ESG Report") focuses on the disclosure of the work and practices of Newlink Technology in the area of ESG in 2022, demonstrating our principles and sustainable development philosophy in fulfilling our corporate social responsibility, so that our stakeholders can better understand the progress and development direction of the Group on sustainability issues. This ESG Report should be read in conjunction with the "Corporate Governance Report" section of this annual report to gain a comprehensive understanding of the Group's ESG performance.

Scope of the Report

The scope of this ESG Report includes the Company and its subsidiaries, except for Beijing Jiafutong Network Technology Company Limited and its subsidiaries which were disposed of during the year. The Report covers the period from 1 January 2022 to 31 December 2022 (hereinafter referred to as the "Current Year" or the "Reporting Period").

Basis of preparation

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (the "ESG Reporting Guidelines") as set out in Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange and the content of this ESG Report complies with the disclosure principles required by the ESG Reporting Guidelines and has complied with the "comply or explain" provisions set out in the ESG Reporting Guidelines. This ESG Report complies with the "comply or explain" provisions of the ESG Guidelines and its content follows the four Reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Materiality: The ESG issues identified, the communication channels and expectations of stakeholders, and the results of last year's materiality assessment have been disclosed as the basis for the preparation of this ESG Report and responded to through this ESG Report.

Quantitative: The statistical criteria, methods, assumptions and/or calculation tools used for reporting emissions/energy consumption (where applicable) and the sources of conversion factors, and the setting of quantitative environmental management targets, have been disclosed in this ESG Report in the Report explanatory notes.

Balance: This ESG Report presents the Group's performance for the Reporting Period in an unbiased manner, avoiding selections, omissions or presentation formats that might improperly influence the reader's decisions or judgments.

Consistency: The statistical methods used to disclose data in this ESG Report are consistent with those of last year. Changes, if any, will be clearly stated in the Report to ensure the comparability of data.

Approval of this ESG Report

The Board of Directors of the Group assumes full responsibility for the contents Reported in this ESG Report and has approved and confirmed the contents of this ESG Report on 31 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feedback mechanism

We highly value your comments and suggestions on this ESG Report and welcome you to contact us by email (ir@xnewtech.com).

2. ABOUT US

As a leading technology-driven IT solution service provider based on its independently developed 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 various industries such as finance, medical care, transportation and energy. At the same time, we vigorously develop innovative solutions for the future development of industry users by continuously and actively deploying cutting-edge technology fields such as artificial intelligence and big data analysis. With the Company's continuous deployment in the SaaS service sector and the implementation of the strategy of innovative solutions, the innovative IT solution business demonstrates a strong development momentum.

In 2022, consistently regarding the traditional IT solution services as its foundation, the Group further expanded its service coverage to customers in the fields of transportation and logistics on top of providing high-quality services to customers in the financial industry. In addition, the Group accelerated investment in the research and development of innovative products and technologies, and, while consolidating its market positioning as an artificial intelligence and big data solution service provider, poised itself to achieve sustained and rapid development of innovative solutions in the future to expand its leading edge in the industry.

Philosophy and Vision

"Integrity, innovation, service and mutual development" is our business philosophy. We are committed to co-development in economic, social, environmental and governance aspects. Environmentally, we reduce our environmental impact while achieving the Group's business objectives. Socially, we support the development of our employees and create corporate social value through trustworthy partnerships with our business partners and suppliers. Economically, we actively focus on stakeholder requirements and strive to fulfill our corporate social responsibility while protecting the interests of our shareholders and investors. On the governance side, we proactively identify and strictly comply with national and regional ESG-related laws and regulations, and integrate ESG concepts into our business operations and management processes to build a sustainable enterprise.

3. SUSTAINABLE DEVELOPMENT

3.1 Board Statement

The Group believes that the establishment of a sound ESG policy and strategy will help enhance the value of its investment and provide long-term returns to its stakeholders. The Board oversees relevant departments to improve ESG-related policies and measures, closely monitors ESG risks with potential impact on business operations to adjust operational policies as appropriate, and strives to establish a communication platform between the Group and its key stakeholders, regularly reviews ESG issues of importance to key stakeholders, ensures information flow, conducts materiality assessments and clarifies the Group's ESG governance priorities. The Board has confirmed that the results of last year's materiality analysis will be used.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established an ESG governance structure for effective sustainability governance. The Board assumes full responsibility for the Group's ESG governance and sustainable development, approves the Group's materiality issues, monitors ESG performance, regularly assesses ESG-related risks and opportunities, and oversees the coordination as well as management of ESG issues. Under the authority of the Board, the ESG Working Group, consisting of the ESG Committee of the management and ESG-related management, is responsible for the specific implementation of ESG work and the continuous promotion of the Group's ESG work.

The Group has set quantitative environmental targets related to its business operations. The targets cover performance indicators such as greenhouse gas emissions, resource use and waste management. The Board also reviewed and discussed the progress of the targets during the Current Year to improve the sustainability efforts.

3.2 ESG Governance Structure

To integrate ESG concepts into the Group's management policies, strategies, business plans and policies, and to actively fulfill its corporate social responsibility, the Group has established an ESG governance structure covering the four levels of the Group, with the responsibilities of each level of the ESG governance structure clearly stated. The Board decides and oversees the ESG management policy, strategy, objectives, annual ESG report and overall work of the Group. It authorizes the ESG Committee led by senior management to formulate ESG management policy, strategy, objectives and work, as well as promotes and monitors the implementation of ESG-related policies and work by all relevant departments, and is responsible for coordinating ESG-related matters, including coordinating the collection of ESG-related performance information. The ESG working group consists of the Talent Strategy Department, Human Resources Management Center, Administration Department and other departments, as well as branches and subsidiaries, to coordinate and promote the implementation and enhancement of ESG-specific work. Through close cooperation at all levels, we are confident that we can effectively implement ESG strategies, objectives and efforts in the daily operations and business of our Group.

ESG Governance Structure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Stakeholder Communication

We value the participation and support of our stakeholders. We are committed to maintaining close communication with our external and internal stakeholders, communicating with them through various communication channels and obtaining a deeper understanding of their requirements and expectations of the Group in order to refine our sustainability strategy and achieve our sustainability goals, thereby improving our ESG performance and future development strategy.

Stakeholders	Requirements and expectations	Communication and response methods
Employees	• Compensation and benefits • Career development • Humanistic care • Occupational health	• Employee communication meetings • Company newsletter and intranet • Career advancement mechanism • Employee opinion survey • Seminars/Workshops/Lectures • Employee training • Employee events
Government & Regulators	• Comply with national policies and laws • Attracting and retaining talent • Health and safety management of products and services • Anti-corruption • Labor standard	• Regular information reporting • Face-to-face communication • Document submission • On-site inspections
Shareholder/Investor	• Revenue return • Health and safety management of products and services • Climate change response • Information transparency and efficient communication	• Shareholders' meeting • Corporate Announcements • Corporate communications, Email, Telephone communications and Corporate Website • Senior management meeting • Results report
Suppliers	• Anti-corruption • Health and safety management of products and services • Compliance with the law • Mutual benefit and win-win situation	• Supplier management system • Supplier assessment and evaluation • Face-to-face communication • On-site inspection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Requirements and expectations	Communication and response methods
Clients	• Health and safety management of products and services • Customer complaint management • Community investment • Integrity in business • Environment and natural Resources	• Daily business communication • Customer opinion survey • Social media platform • Service complaints and return visits
Community	• Community investment • Open and transparent information	• Company website • Participate in community events • Social media platforms • Volunteer services
Partners	• Integrity in business • Fair competition • Compliance with the law • Mutual benefit and win-win situation	• Review and evaluation session • Business communication • Exchange seminar • Negotiation of cooperation
Industry Peers	• Integrity in business • Fair competition • Compliance with the laws • Mutual benefit and win-win situation	• Strategic cooperation projects • Site visits

3.4 Materiality Assessment

We value the level of stakeholder involvement in the development of the Group, and therefore we always consider the expectations and views of our key internal and external stakeholders. In the previous year, we identified material ESG issues by referring to the materiality matrix of the Stock Exchange's ESG Reporting Guidelines, considered the expectations and views of key internal and external stakeholders, and conducted a materiality assessment analysis with each stakeholder to prioritize ESG issues and generated a materiality issue matrix.

There were no significant changes in our stakeholder groups, business, or the operating environment during the Current Year. Therefore, the Board, management and the ESG Committee confirmed that the results of the materiality matrix of the previous year will continue to be used in the Current year, as they are still applicable to the present situation. The ESG committee promises they will respond to the expectations of the stakeholders as always.

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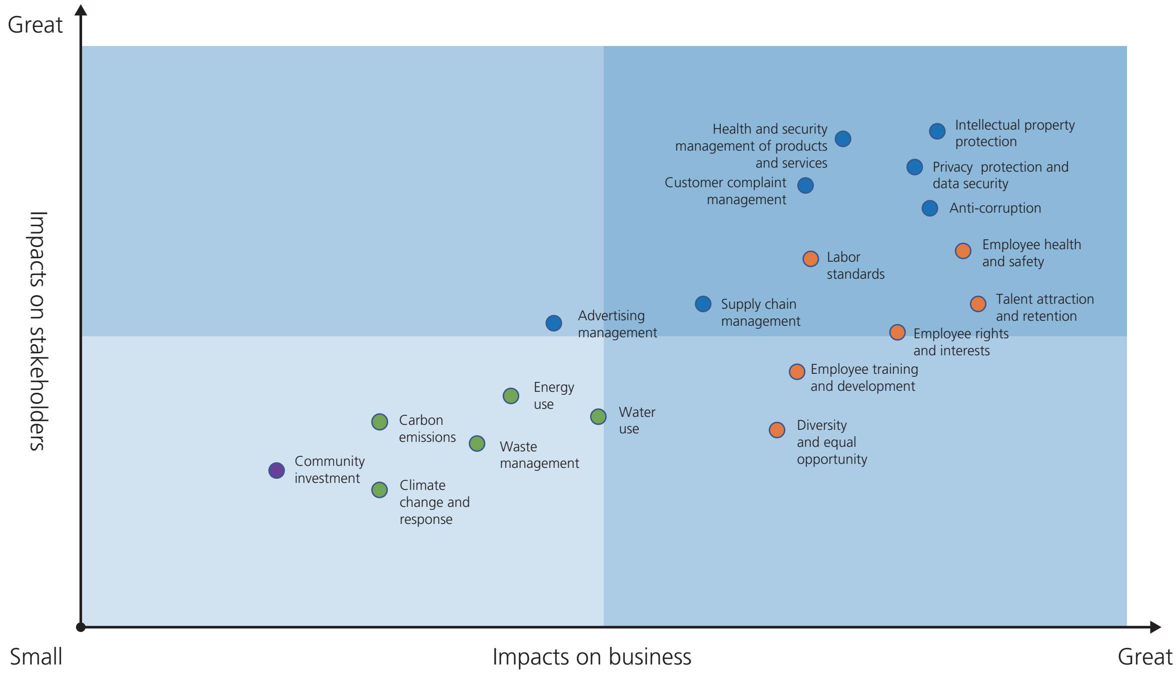
The analysis results of the Group's substantive matrix of ESG materiality issues identified last year are as follows:



3.5 Highlights of the Current Year

During the Current Year, the Group achieved widespread recognition from the community in terms of sustainable development. The following are the achievements, awards and honors received by the Group:

- Newlink Technology was awarded the "Best Small and Medium Cap Company" in the 2022 Global Investment Trends Forum and the 6th Golden Hong Kong Stock Awards Ceremony for its outstanding performance in business areas and outstanding contribution to the capital market;

- Newlink Technology's stock investment automation approval RPA application case won the "2022 Wise Artisan RPA Excellent Case" awarded by the RPA Industry Promotion Square Judging Panel in the selection of the RPA Industry Promotion Square Organization;

- Newlink RPA V4.0 and Newlink RPA All-in-One V4.0, which were developed by Newlink Technology, were awarded joint certification by Universal Hardware and Software Adaptation Certification Center;

- Beijing Newlink was awarded the Software Enterprise Certificate by China Software Industry Association and Beijing Software and Information Service Association;

- Mr. ZHAI Shuchun, CEO, Executive Director and Chairman of the Board of Directors of NewLink Technology, was awarded "2022 Digital Driving Force of the Year" in the 2022 Digital Service Conference collection and selection activity;

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- NewLink Technology's self-developed medical document data structuring and management platform was awarded "2022 Annual Product Innovation Award" in the 2022 Digital Service Conference collection and selection activity;

- Beijing Newlink was invited to give a speech at the "7th China Telemedicine Conference", which was directed by the Health Development Research Center of the National Health Care Commission and hosted by the General Hospital of the Chinese People's Liberation Army and the Telemedicine Branch of the Chinese Society of Geriatrics online;

- Beijing Newlink was rated as "2022 Beijing Software Core Competitiveness Enterprise (Scale Type)" in the "2022 Beijing Software Enterprise Core Competitiveness Evaluation Report" issued by Beijing Software and Information Service Industry Association;

- Beijing Newlink was successfully selected for the 2022 year in the Beijing Enterprise Innovation Credit Leading Action initiated by the Zhongguancun Enterprise Credit Promotion Association, the People's Bank of China Zhongguancun National Independent Innovation Demonstration Zone Central Branch, Zhongguancun Development Group, Beijing SME Public Service Platform and other units Credit leading enterprise.

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4. GREEN OFFICE

The Group recognizes the importance of environmental protection and strictly complies with applicable regulations and laws such as the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Energy Conservation*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and local environmental regulations such as the *Beijing Municipal Regulations on the Management of Domestic Waste*, and continuously fulfills its corporate environmental protection responsibilities. As an IT solution provider based on self-developed software products, the Group's impact on the environment mainly comes from office electricity, water and paper consumption, as well as commercial vehicle emissions. In order to create a green office environment, we have incorporated the concept of low carbon and environmental protection throughout our operation and management, continuously implemented energy saving and environmental protection systems, cultivated low carbon and environmental protection habits among our employees, reduced waste and pollution, considered the protection of the environment and natural resources as an important corporate responsibility, and adhered to the path of sustainable development. During the Current Year, the Group did not have any environment-related violations.

4.1 Emissions Management

The Group's emissions include greenhouse gases (GHG) and emissions from the Group's vehicles (other than GHG), with GHG Scope 1 emissions coming mainly from vehicle fuel consumption and natural gas combustion, and Scope 2 from electricity consumption during the Group's operations. To reduce vehicle emissions, we make efforts to reduce fuel consumption by regularly maintaining our fleet, regularly inspecting and inflating tires, ensuring that engines are turned off at stops, encouraging employees to use public transportation, optimizing driving routes, and purchasing only vehicles that meet emission standards. In terms of reducing electricity consumption, we have also adopted various energy-saving measures, which are further discussed in the "Valuing Resources" section of this ESG Report, to reduce greenhouse gas emissions.

This Current Year, we continued to conduct a greenhouse gas inventory for the environmental scope coverage of this ESG Report by referring to the Greenhouse Gas Inventory Protocol issued by the World Resources Institute and the World Business Council for Sustainable Development and ISO 14064-1 developed by the International Organization for Standardization, the performance of which is presented in the "Appendix I: Sustainability Data Summary" section of this ESG Report.

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4.2 Waste Management

Our hazardous waste is mainly waste batteries and waste toner cartridges generated in the course of our operations. We place our hazardous waste in a separately set place and regularly hand it over to qualified third parties for compliant disposal. Due to the nature of our business, we do not involve in the discharge of industrial hazardous waste. For office waste, our Group complies with all relevant laws and regulations and separates the waste generated by our offices into recyclable waste, hazardous waste, food waste and other waste as required, and sets up paper sorting and recycling bins and transfers them to the municipality for unified disposal.

We are taking various measures to reduce office waste emissions. In terms of paper conservation, we encourage the use of electronic communication systems to distribute information as much as possible and reduce the use of faxes and photocopied documents by encouraging them internally. For general transactional notices, data transmission and other data that are not necessary on paper, we use an online office system instead of the paper-based office administration system, and we encourage employees to print in black and white, copy and print on both sides, and use paper that was once printed on one side and use scrap paper for note-taking. For documents that must be printed, we encourage employees to use double-sided printing to minimize misprinting. For office and household products, we encourage employees to use recyclable and recyclable products such as ceramic mugs and reusable tableware. For unused computers, we arrange for secondary use after performance testing to reduce e-waste generation while improving resource efficiency. Office consumables are one of the major resources used by the Group. We continue to strengthen the management of the use of office supplies by standardizing the process of purchasing and receiving office supplies in order to reduce the waste of office supplies. We also promote the shared use of office tools in order to improve the efficiency of equipment use, reduce equipment purchases and save energy. In addition, we organize environmental protection-related training such as waste classification training for our employees to continuously improve the awareness of environmental protection and waste classification among our employees.

4.3 Valuing Resources

Although the Group's business does not involve a significant impact on natural resources, we are committed to reducing the number of resources consumed in the office process. In order to promote a culture of conservation within the Group to promote and practice low-carbon environmental protection, we have formulated the "Management Measures on Energy Conservation and Emission Reduction" to effectively control the use of water, electricity and office consumables in our operation sites to enable our employees to use resources effectively. At the same time, we also promote and encourage our employees to participate in environmental protection activities to raise their awareness of environmental protection. To comprehensively manage the use of various energy, we keep statistics on the consumption of resources in our operations. Gasoline used in vehicles and water, natural gas, electricity and paper used in office operations are our main sources of daily resource use. Our operations do not involve the use of packaging materials.

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Energy Management

We have taken various measures to reduce energy consumption in the office to achieve the goal of saving energy and reducing carbon emissions. The staff is required to turn off all indoor electric facilities such as office computers, drinking fountains and lighting before they leave work, and at the same time insist on daily inspections to turn off non-functional lighting and air conditioning equipment; set the air conditioning temperature in offices and conference rooms reasonably, with the cooling temperature set at no less than 26ºC in summer and the heating temperature set at no more than 20ºC in winter, and ensure that the doors and windows are closed when the air conditioning is turned on; minimize the use of computers, copiers, printers, shredders, and other equipment. Office equipment such as computers, copiers, printers, shredders, etc. should be turned on as many times as possible, and set to automatically enter the low energy consumption state when not in use, and turn off the power when not in use for a long time, so as to reduce standby power consumption.

Water Management

We have sufficient fresh water of high quality in our operating offices and have no problems in obtaining water. To reduce water consumption, we have implemented various water conservation measures, including the use of taps with water-saving labels; posting water conservation reminders in each water facility to raise staff awareness of water conservation; regularly inspecting and maintaining hidden water pipes, taps and other water supply facilities, and arranging timely repair and inspection if any water leakage is found to reduce unnecessary waste.

4.4 Environmental Targets

In the Current Year, the Board and the management have reviewed the targets set last year in the environmental area and their progress. Due to the epidemic situation, the Group's energy consumption and water resource consumption also showed an upward trend. On the contrary, greenhouse gas emissions decreased slightly. We must actively review and implement the Group's energy and water conservation, emission reduction and waste reduction measures in the future to get closer to our targets. The following are the environmental targets we set last year.

Greenhouse Gas Emission Target:

- Using 2020 as a baseline, electricity consumption per capita decreases by 30% by the end of 2030.

Energy Use Target:

- 25% reduction in gasoline consumption per capita by the end of 2030, using 2020 as a baseline.

Water Use Target:

- Using 2020 as a baseline, water use per capita is reduced by 25% by the end of 2030.

Waste Management Target:

- From 2021 onwards, all areas where Newlink Technology operates will implement waste separation.

- From 2021 onwards, maintain 100% compliance with hazardous waste disposal in all areas in which Newlink Technology operates each year.

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4.5 Responding to Climate Change

In recent years, the international community has become increasingly concerned about climate change, and China has also put forward relevant commitments and targets for "carbon peaking" and "carbon neutrality". The Group will continue to implement and strengthen measures to reduce greenhouse gas emissions in order to make greater contributions to greening the environment and combating climate change. The Group closely monitors the impact of climate change on the Group's business and operations.

During the Current year, the Group identified and assessed climate change risks such as physical risks, transition risks and policy risks, and set environmental targets in line with its operational characteristics to fulfill its commitment to low carbon operations. With regard to physical risks, with the rise in global temperature, climate change events such as floods and heavy rainfall caused by extreme weather frequently affect the Group's business continuity and the health and safety of employees, and delay the construction schedule. Chronic risks such as extreme temperatures and droughts may cause increased energy consumption in office buildings and increase operating costs. We have formulated relevant countermeasures and will adopt flexible office measures in case of occasional extreme weather conditions to ensure staff safety and business continuity. On the other hand, the country is currently undergoing an accelerated transition to a low-carbon economy, and in the face of such transition risks as changing policies, laws and regulations, technological developments and market trends, such as persistent climate change, will lead to a greater preference for low-carbon products by our customers; failure to effectively control or reduce carbon emissions from corporate and business operations and accelerate the introduction of low-carbon products and services may lead to damage to our corporate image and loss of customers in the future. We are developing low-carbon products and services, accelerating product transformation, setting emission reduction targets applicable to the Group, and addressing related risks from both business and operational aspects.

We recognize that while climate change poses risks to our business, it also presents new opportunities to grow it. By improving the efficiency of energy and water resource use in our offices and reducing waste emissions, we can reduce operating costs. The financial cost savings will enable us to better meet the demands of our employees and keep the company running smoothly. At the same time, the low-carbon transition and the rise of alternative technologies will enable us to explore new markets and increase the development of new products and services in-house, making the Group more competitive in the industry.

5. PEOPLE-ORIENTED

The Group upholds the corporate values of "integrity-based, pioneering and innovative, service-oriented and common development" and insists on people-oriented, conscientiously fulfills its social responsibilities, attaches importance to the construction of corporate culture and the protection of employees' rights and interests, cares for the growth and development of employees, attaches great importance to employees' rights and interests, and actively leads a united and progressive corporate culture. The Group pays attention to the health and safety of employees, listens to their personal requirements, establishes a perfect staff training, incentive and promotion reward mechanism, and promotes the common growth of employees and the company.

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We are fully aware that a sound employment system is vital to the development of our Group, and therefore we are constantly improving our talent team-building programs and are committed to making our employees work in a healthy, safe, equal and inclusive environment. We promote a culture of equality and respect for professional differences within the Group and are committed to creating equal and fair development and promotion opportunities for each employee, eliminating any form of discrimination regarding gender, marital status, age, race, color, disability, nationality, religion, etc.

5.1 Compliance Employment

Employees are the important property of our Group and we strive to protect their rights and interests. To this end, we regulate labor relations in accordance with the law and enter into labor contracts with our employees to effectively protect their rights and interests. The Group strictly complies with employment-related laws and regulations, including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Regulations on Work Injury Insurance*, the *Law of the People's Republic of China on the Protection of Minors*, the *Regulations on the Prohibition of Child Labor*, and the *Regulations on the Special Protection of Minor Workers*, and has formulated the Human Resources Workbook, which covers recruitment, remuneration, attendance, training, employee development, leave, termination and other employment-related aspects. It covers recruitment, remuneration, attendance, training, employee development, leave, termination and other employment-related aspects.

We believe that attracting, retaining and motivating talent is critical to the success of a high-tech company. Our recruitment department consists of a professional recruitment team to implement recruitment more effectively and to meet the Group's needs for different types of talents. We recruit through various channels such as campus recruitment, online recruitment, internal referral and agency recruitment. We ensure that the recruitment is open, fair and equitable. We evaluate the recruiters according to their educational background, work experience, professional skills and whether they meet the requirements of the job position, and assess the candidates in various ways so as to select the right talents and ensure that the overall quality of the newly recruited employees meets the company's requirements. When an employee is hired, we sign an employment contract with all employees in accordance with the requirements of relevant laws and regulations, setting out the terms and conditions of remuneration and holidays to protect the legitimate rights and interests of both parties. When an employee leaves, both the Group and the employee have the right to terminate the employment relationship. We will handle the severance procedures for the terminated employees in accordance with the circumstances specified in the Employee Handbook, and the employees are required to hand over their work as required. Our Human Resources Department will also arrange exit interviews for employees who request to leave, to understand the reasons for their departure and to improve the Group's human resources management system if necessary.

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We are committed to eliminating child labor and forced labor, and we strictly check and review applicants' identification documents, relevant certificates and work experience to verify their age during the recruitment process. If child labor is found, we will stop working immediately, deal with it appropriately following laws and regulations, and conduct investigations to identify loopholes and implement remedial measures to prevent any recurrence. The employee contracts we sign with our employees clearly state all aspects of employee terms and conditions to protect the rights and freedoms of our employees and prohibit forced labor. We avoid and discourage employees from working overtime, have established an attendance and leave management system, adopt standard working hours, provide employees with annual leave and other holidays, understand the working hours of our employees, and compensate our employees if they need to work overtime due to workload under relevant laws and regulations and internal systems. During the Current Year, the Group was not involved in or found to have violated any laws and regulations relating to employment and labor practices, prevention of child labor and forced labor.

5.2 Compensation and Benefits

In order to motivate employees to improve themselves, the Group has competitive remuneration and promotion packages such as basic fixed salary, performance bonus and other welfare allowances to ensure that employees enjoy legal and fair treatment. The Group has established "Staff Management Regulations", "Staff Development Management Regulations", "Position Review Related Job Descriptions", "Management Regulations for Selection and Appointment of Management Sequence Staff", "Staff Position Grade Review Management Regulations", "Performance Appraisal System", "Staff Code of Conduct" and other systems to provide a strong institutional guarantee for staff development. We provide each employee with the opportunity to show their talents and strive to realize that each employee can make the best use of their talents and achieve career success while developing the company. Based on the comprehensive work performance of our employees, we regularly conduct a comprehensive evaluation of our employees every year to objectively and comprehensively assess the work performance of each employee and decide whether to promote the employee according to the situation. The Group also formulates feasible training and talent pooling programs based on the vacancies in each sequence and grade level released by the Company from time to time, as well as the talent structure, in order to give employees a suitable development path.

Valuable input from our employees helps our company grow steadily. We regularly conduct employee satisfaction surveys to listen to employees' opinions and suggestions. In addition, we set up various channels of communication such as telephone, email, letter and other open channels for employees to listen to their opinions, requests, confusions and monitor and feedback on violations in a timely manner, and have a public feedback mechanism.

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The Group provides a wide range of employee benefits to care for our employees and to motivate them to work. We strictly ensure that the working hours, wages and benefits of all employees are up to standard. We provide free medical check-ups, personal accident insurance, communication allowance and holiday care to our employees. Employees are also entitled to various types of leave benefits such as statutory holidays, annual leave, wedding leave, maternity leave and paternity leave. In order to enhance employee satisfaction, the Group regularly organizes internal awards for outstanding employees. Through this activity, we believe that we can enhance the sense of honour, mission and ownership of our employees, and thus make them work actively. This Current Year, we have held a variety of exciting staff activities as follows:

Public welfare small classroom activities

5.3 Safety Work

The Group fulfills its responsibility to protect the safety and health of our employees and is committed to providing a safe working environment for our employees and strictly complies with the *Regulations on Work-Related Injury Insurance*, the *Administrative Measures for the Identification of the Labor Ability of Workers with Work-Related Injuries*, the *Administrative Regulations on Occupational Health Examination* and other relevant laws and regulations. We have arranged management personnel to be responsible for providing necessary health and safety guidelines to employees in the workplace. In the past three years (including the Current Year), the Group did not have any potential risk of occupational diseases as mentioned, no major health and safety accidents and no work-related fatalities occurred. In the Current Year, the Group had no lost workdays due to work-related injuries.

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In order to make employees pay attention to their own health condition, we have formulated the "Management Measures of Employee Medical Examination", and employees who have worked for more than one year can enjoy the annual free medical examination, and employees can choose the corresponding medical examination package according to different situations. At the same time, we provide medical insurance, work injury insurance and personal accident insurance for our employees according to the requirements of relevant laws and regulations, and have established a work injury protection system. In terms of training, we actively organize fire safety training for our employees to enhance their safety awareness. We also organize training related to physical fitness and lectures on health and occupational diseases, allowing our employees to enhance their physical fitness and maintain their physical and mental health. When an employee is injured at work, our Group will ensure that the injured person is treated in a timely manner and that the employee is identified and properly arranged for according to the requirements of relevant laws and regulations.

To combat the COVID-19 epidemic, the Group pays close attention to the prevention and control policies and diagnosis and treatment guidance plans announced by the National Health Commission and requires employees in all regions to comply with local epidemic prevention policies and regulations. During the epidemic period, we took a number of epidemic prevention measures, including paying attention to the epidemic situation, monitoring the daily health of employees, continuing to pay attention to the isolation and nucleic acid situation of employees in epidemic risk areas, and providing relaxed working hours and environment for employees during the infection period to ensure maximum protection of health and safety for employees and customers. The group advocates employees to exercise actively and maintain good living habits. At the same time, in order to enhance the communication among employees, a series of fun sports competitions will be held in 2022. Affected by the epidemic, the company held some striking activities such as backgammon competitions and plank support, brisk walking, and abdominal crunches through a combination of online and offline ways, with a total of more than 720 employees participating. The Group awarded prizes to employees who achieved outstanding results in the activities to encourage them.

(2022 Staff Activities – Online Games Award Presentation)

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5.4 Talent Development

The Group firmly believes that employees are the key to sustainable business development and efficient operations, and therefore provides trainings for its employees to cultivate outstanding talents. We have formulated the "Training Management System" and "2022 Training Plan" based on the "Human Resources Work Manual". The Human Resources Management Centre consists of the the Recruitment Department, the Training Department, and the Employee Relations Department, committed to establishing a sound talent development mechanism. By integrating internal and external resources, we provide various forms of internal and external trainings to help employees absorb new external knowledge and concepts. Meanwhile, the Company attaches great importance to improving the standard operation level of listed companies and enhancing the awareness of rules and regulations of managers at all levels. The Group has invited a team of professional lawyers to conduct multiple compliance trainings for all directors and management personnel.

We provide appropriate mentorship and orientation for new employees, and employees at different levels and in different positions will receive appropriate training as needed. In addition to the mandatory courses, employees can also take online courses according to their own learning plans. We have created a career training profile to record the courses and types of training that employees have attended during their employment. In order to allow employees to give full play to their individual passions and strengths, and to actively share their work experience, we have developed an "Internal Trainer Management System" and implemented an "Internal Trainer Selection Mechanism" where employees can recommend each other or self-nominate.

We have established "Regulations on Employee Development Management" to actively help employees plan their career development paths. According to their career development paths, we encourage and guide our employees to pursue further education such as obtaining vocational skills and qualifications, pursuing other degrees, etc. to help them plan their career development and grow together with our Group.

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6. COMPLIANCE OPERATION

6.1 Sustainable Supply Chain

To establish long-term and mutually beneficial relationships with our suppliers, optimize supply chain management and ensure the quality of goods and services, we have formulated the Company's "Procurement and Tender Management Measures" in strict accordance with the laws and regulations such as the *Law of the People's Republic of China on Bidding and Tendering* and the *Contract Law of the People's Republic of China*, improved our business procurement system and processes, and conducted our procurement work in an open, fair and equitable manner. The suppliers of the Group mainly include software suppliers, technical support service providers, electronic equipment suppliers, decoration service providers and human resources outsourcing service providers. During the Current Year, the majority of the Group's suppliers were software/hardware suppliers and all of them were from Mainland China, with a total of 91 suppliers.

For suppliers who cooperate with us, both parties will sign contract terms, which need to specify product details such as duration, purchase price, payment method, rights and obligations of the contracting party, confidentiality, termination and other parts. We conduct strict supplier management and require all cooperative suppliers to comply with applicable national and local laws and regulations. We conduct strict audits of all suppliers' company background, relevant qualifications and past performance, including retrieving their past records of violations, etc. For suppliers who pass the screening, we will include them in the list of qualified suppliers and keep their endorsement information on the disk. Any suppliers or their affiliates who do not meet the Group's standards or have a record of breach of trust will be blacklisted and temporarily excluded from employment.

We consider environmental and social risks when selecting and engaging service providers, such as rigorous review of suppliers' environment, health and safety, anti-corruption, product liability as well as other performance and compliance. We have different requirements for different categories of suppliers.

Equipment Suppliers	The goods they supply need to meet the relevant national environmental protection requirements and priority will be given to energy-saving and environmentally friendly products under the same conditions.
HR Outsourcing Service Provider	They need to strictly comply with the *Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China*, the Regulations on Work Injury Insurance and other laws and regulations to protect the legitimate rights and interests of their employees.
Renovation Service Provider	They need to use materials that meet national environmental and safety standards, and do a good job of environmental and safety management during the decoration and decorating process.

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6.2 Quality service

The Group has been providing customers with technology-driven IT solutions and services based on self-developed software products. With innovative products and technologies, and adhering to business ethics, the Group is committed to providing long-term benefits to society and customers through good reputation and quality.

6.2.1 Customer Relationships

Our Group is committed to protecting the legitimate rights and interests of our customers, and we strictly comply with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other relevant laws and regulations. If customers have any comments and requests on the progress, risks and quality of the project during project development phase, they can contact our sales staff, project managers, and the Group management to communicate with us so that we can handle and respond to them in a timely manner.

If customers have any dissatisfaction with our services, we also provide channels including email, complaint telephone and online complaints, etc. to receive comments and suggestions from customers. After receiving a complaint, we will record the content of the complaint, clarify the responsibility for handling the complaint, analyze the cause of the complaint, formulate a complaint handling plan and communicate with the complainant in a timely manner, and finally implement the complaint handling plan. Since the Group's project management department will communicate with customers from time to time and resolve most of the urgent and major problems of customers in a timely manner through aggregation to the project committee, it is not common for customer complaints to occur. During the Current Year, the Group did not receive any serious complaints related to products and services, and our customer service rating was excellent.

6.2.2 Product Quality and Safety

The Group attaches great importance to product and service quality and continues to provide stable and high quality products to our customers. We comply with the *Product Quality Law of the People's Republic of China* and have formulated the "Newlink Technology Pre-sales Project Management Measures" to standardize pre-sales services for project-based management. At the same time, in order to continuously improve and enhance service quality, we carry out targeted service quality management for different customers and service categories. Through process-oriented review and confirmation, we ensure that customer needs are recorded one by one, and that dedicated personnel are assigned to handle them within a specified period of time to ensure that the final results meet the expected objectives. Since the group provides customized software services, there are no cases where products or services need to be recalled due to health and safety issues.

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The Group has obtained a number of certifications to internationally recognized standards related to quality and safety, as follows:

- ISO27001 Information Security Management System Certification;
- ISO20000 Information Technology Service Management System Certification;
- CMMI5 Maturity Integration Model;
- ISO9001 Quality Management System Certification.

We also have different measures in place to ensure the quality and safety of our products and services at each stage:

Product design process	Use mature encryption, anti-attack, anti-tampering and other technical means to ensure the quality and security of the product.
Before product delivery to customers	Carry out professional tests on product functions and performance to ensure product quality meets contractual requirements.
After product delivery to customers	Provide professional technical support and training to our customers to ensure that our solutions are running smoothly and fully functional.

We have a Technical Management Committee and a quality management team to strengthen the quality control in the R&D process. The Quality Management Team has a full-time administrator who is responsible for formulating the quality management plan and configuration management plan for each R&D project, tracking, monitoring and managing the project quality, so that all quality management work can be carried out effectively in the product development process and meet the relevant requirements. The Technical Management Committee is responsible for the quality control of the product development process, and has formulated the management method of software development project grading supervision and control, grading the projects of different complexity and importance, and there are corresponding management processes for each level of projects. Through the organization of review work in each key point such as business architecture, application architecture, data architecture, and technical architecture, we ensure that the quality of product delivery meets customer requirements.

6.2.3 Research and Development

With our software R&D center and national laboratories as our backbone, the Group continues to work with a number of professional companies and Beijing Jiaotong University on product development and innovation in the field of artificial intelligence and big data analytics applications as key technologies and SaaS services, and conducts technological innovation and product development in the field of big data and artificial intelligence. In addition, the Group further expands the research and development of solutions that provide services to the financial leasing industry, transportation industry and logistics industry.

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During the Current Year, the Group maintained heavy investment in research and development, and successfully launched or upgraded software products applicable to various industries. Representative results of research and development activities include:

- Upgrading version V5.0 of our Robotic Process Automation (RPA) product. The new product has been significantly improved in terms of functionality and stability, ease of use, and intelligence, and has been well received by our customers during its use in cooperation with financial institutions.

- Helping a number of banks to build their electronic treasury bond systems through continuous investment in R&D and with its extensive experience in the treasury bond field.

- Launching the Asset Management and Development System (2022 Version), which can provide customers with process monitoring and refined management, and improve the scientific management and control of the whole process of asset management and development as well as the professional management capabilities of enterprises as a whole, thereby providing strong support for customers' business decision-making. While promoting the coordinated development of non-transportation business of diversified enterprises, we guided the reorganisation and merger of enterprises in a scientific manner, assisted enterprises to increase capital, expand equity base and optimise corporate structure.

- Launching and promoting the application in hospitals of various software products including the "Indicator Centre V2.0", the "Hospital Medical Quality Management and Safety Early Warning Comprehensive Platform V6.0", the "Medical Safety (Adverse) Event Management System V3.0", the AI-based "Medical Record Quality Comprehensive Management Platform V5.0" and the "Medical Document AI Structured Platform V5.0".

- Launched the research and development of new products such as "Financial Leasing Core System V1.0", which are mainly designed to meet small and medium-sized financial leasing needs. The system standardises the construction of data platforms in the leasing field, thereby greatly improving construction efficiency and delivering higher added value to customers with its built-in data models based on industry best practices.

- Initiated the research and development of the "Air Cargo System", which will provide new efficient and intelligent information systems and solutions for airport cargo terminals and airline cargo terminals, thus building an air cargo digital system.

Newlink Technology presents innovative technology products at the World Artificial Intelligence Conference 2022

During the Current Year, we were honored to be invited to participate in the World Artificial Intelligence Conference 2022 held in Shanghai, which is co-hosted by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the State Internet Information Office, the Chinese Academy of Sciences, the Chinese Academy of Engineering, the Chinese Association for Science and Technology, and the Shanghai Municipal People's Government, with the theme of "Smart World, Unbounded Yuan Sheng". As one of the leading innovative IT solution providers in China providing self-developed high value-added IT solutions and software products to customers in the financial, medical and general industries, Newlink Technology made an appearance at the exhibition site of this conference, where we showcased our self-developed products and solutions, which were well received by people from both inside and outside the industry.

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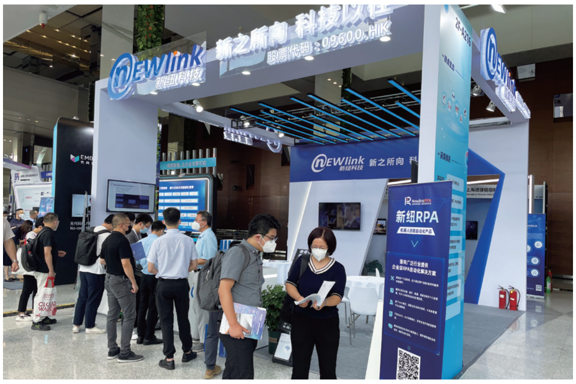

6.2.4 Information Security and Privacy

The Group attaches great importance to the protection of customer privacy and information security and makes every effort to ensure customer privacy and security. We strictly comply with the *Network Security Law of the People's Republic of China*, *Regulations on the Protection of Personal Information of Telecommunications and Internet Users, Regulations on the Protection of Computer Software, Measures for the Management of National Health Care Big Data Standards, Security and Services, Personal Data (Privacy) Regulations, Measures for the Registration of Computer Software Copyrights* and other relevant laws and regulations. The "Mobile Internet Personal Privacy Policy" and other relevant laws and regulations, comply with the rules and regulations of the customer side, from the creation, storage, transmission, access, use, destruction and other aspects for the user privacy to carry out strict security supervision and processing.

We have a secure development environment within the Group and ensure that all test data used in the product development process is desensitized in accordance with strict confidentiality requirements before use. We sign confidentiality agreements with all employees, and all employees are required to maintain trade secrets and are strictly prohibited from disclosing or using any customer data without the customer's consent. Employees may only disclose customer-related information to third parties with the prior written consent of the customer, and the amount of disclosure is strictly limited to protect the rights and interests of the customer. Employees developing key products are required to sign a separate and more stringent confidentiality agreement. The Group organizes security and privacy training courses to increase staff awareness of the need to protect user information. We collect and use customer information in accordance with legal forms and our privacy policy, and will only retain customer information for the duration of its use.

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6.2.5 Intellectual Property Protection

We respect the value of knowledge and strictly comply with the *Copyright Law of the People's Republic of China, Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Tort Liability Law of the People's Republic of China* and other laws and regulations. In order to improve our independent intellectual property management system, we have formulated the "Scheme Management Committee Management Measures" with reference to the requirements of national laws and regulations and the prevailing norms in the industry, setting out our commitment and work on the protection of intellectual property rights, regulating and strengthening intellectual property management and the proper use and protection of our own brand, clarifying the approval process for internal and external declaration of intellectual property protection, ensuring the validity, reasonableness and we will ensure the validity, reasonableness and compliance of IPR declaration and avoid infringing on the existing IPR of others.

In order to avoid infringement of others' intellectual property rights, we require our employees to strictly comply with the terms in any applicable proprietary information and invention agreements, subject to appropriate use in accordance with relevant laws and regulations and the authorization of the intellectual property owner. The Group has arranged for a dedicated management department to check the status of intellectual property rights and to record the entire process for future traceability for any violation of intellectual property rights by employees, and will impose appropriate sanctions depending on the severity of the situation.

Our Group has set up a dedicated person for the audit and management of trademarks, and regularly conducts internal inspections of the used trademarks to ensure that our brand trademarks have been audited and recorded by the relevant state authorities to ensure compliance, uniformity and standardization of their use. At the same time, we have established a Program Management Committee to be responsible for intellectual property and patent management, and a Business Development Department to be responsible for work related to the overall intellectual property protection of the Group. As of the end of 2022, we have registered 7 domain names, 173 software copyrights, 2 trademarks and 3 patents in China.

6.2.6 Responsibility Promotion

We strictly comply with the laws, regulations and industry norms such as the *Advertising Law of the People's Republic of China*, and strictly abide by the principles of comprehensiveness, compliance and effectiveness in business promotion. The Group has formulated the "Management Measures of the Program Management Committee" to regulate the content of promotional materials and clearly set out the process and requirements for external promotion to ensure the authority, timeliness and accuracy of published content. We are guided by the principles of correctness, truthfulness and non-exaggeration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We ensure that all information we released is legally compliant, truthful and reliable, and accurately describes the contents of the Group, products or services. The Marketing Department is responsible for coordinating and managing the implementation of external publicity and systems, and strictly reviewing all marketing information released publicly, including information from public media, exhibition events, promotional activities and promotional printed materials and other channels. After the marketing department reviews the content, we then have legal, intellectual property and trademark management and other dedicated management departments to review the content, in an effort to promote business and brand value while ensuring that the published content is accurate and not abused. In addition, after the appropriate approval, we will also withdraw, disprove or declare any information that does not comply with the actual situation and relevant regulations, and take legal measures to resolve infringement of the Group's legal rights and interests.

6.3 Business Ethics

The Group adheres to business ethics and actively promotes a corporate atmosphere of integrity, honesty and trustworthiness. We comply with the requirements of laws and regulations relating to anti-corruption, bribery, extortion, fraud and money laundering, such as the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Prevention of Bribery Regulations*, and have formulated the "Anti-Fraud and Anti-Corruption and Reporting and Complaint Management Measures", and have established a series of comprehensive anti-fraud management systems based on these measures to provide directors and all employees are provided with guidelines and rules on fraud prevention and control measures, whistleblowing and complaint systems, case investigation and reporting mechanisms as well as relevant remedial measures and penalty systems, which clearly stipulate the professional ethics of integrity, diligence and fairness and prevent any misconduct that is detrimental to the interests of the Company. During the Current Year, the Group was not involved in or found any violation of anti-bribery or anti-corruption related laws and regulations.

We encourage our employees to make integrity reports. Employees can also report any suspicious behavior or situation through our reporting line, and the whole process is strictly confidential to protect the whistle-blower. Our Internal Audit Department is a permanent body responsible for receiving reports, conducting investigations, drafting investigation reports and proposing handling opinions, and is under the direct supervision and management of the Audit Committee.

We hold regular training sessions on anti-bribery, anti-corruption laws and regulations and ethics for our directors and employees and distribute anti-corruption-related materials to them by mail regularly so that they can keep abreast of the latest anti-corruption and integrity information. In addition, employees are required to attend training sessions to ensure that all employees are aware of the anti-corruption rules and regulations to enhance the integrity awareness of the Group's employees. During the Current Year, the anti-corruption training rate for employees was 100% and for directors was 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. COMMUNITY INVESTMENT

In keeping with its commitment to sustainable development and social responsibility, the Group regards the prosperity and stability of society as the cornerstone of its development. To this end, the Group actively supports its employees to participate in community activities in the Group's locations and to contribute to the building of a better society. We always pay attention to the needs of the society and encourage our employees to participate in volunteer activities and make charitable donations, so as to enhance the sense of social responsibility of our employees in general and make greater contribution to social welfare, promoting common development and benefit sharing.

During the Current Year, we mobilized employee volunteers to actively promote epidemic – prevention knowledge to community residents and provide disposable masks, alcohol and other epidemic-prevention items. This Current Year, there were 20 employee volunteer team members, and the total employee volunteer team served more than 80 hours, and the total amount of donation and donation was nearly 2 million RMB. In the future, we will continue to fulfill our corporate social responsibility and actively give back to the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix I: Summary of Sustainable Development Data

The following is a summary of sustainable development information in the environmental context for the Current Year.

Environmental Scope[1,2]	Unit	Quantitative value for 2022
Air Emissions		
Nitrogen oxides (NO_X)	Kilogram	60.8
Sulfur oxides (SO_X)	Kilogram	0.1
Particulate matter (PM)	Kilogram	5.8
Greenhouse gas emissions[3]		
Direct GHG emissions (Scope 1)	Metric tons of carbon dioxide equivalent	21.1
Direct GHG emissions (Scope 2)	Metric tons of carbon dioxide equivalent	59.6
Total greenhouse gas emissions (Scope 1 & 2)	Metric tons of carbon dioxide equivalent	80.7
Greenhouse gas emissions per capita (Scope 1 and 2)	Metric tons of CO2 equivalent/employee	0.1
Greenhouse gas emissions per square meter (Scope 1 and 2)	Metric tons of CO2 equivalent/m^2	0.01
Waste		
Hazardous waste[4]	Pieces	32
Hazardous waste generation per capita	Pieces/employee	0.04
Total non-hazardous waste[5]	Metric tons	15.0
Non-hazardous waste per capita	Metric tons/employee	0.02
Paper consumption		
Paper consumption	Kilogram	779.6
Per capita paper usage	kg/employee	1.0
Energy consumption		
Total energy consumption	Megawatt hours	179.3
Energy consumption per square meter of floor space	MWh/m^2	0.03
Energy consumption per capita	MWh/employee	0.2
Direct energy consumption	Megawatt hours	76.8
Natural gas consumption	Megawatt hours	16.2
Bus fuel consumption	Megawatt hours	60.6
Indirect energy consumption	Megawatt hours	102.6
Outsourced power	Megawatt hours	102.6

1 The scope of the data covers the entire group.
2 Due to business characteristics, packaging data is not applicable.
3 The main GHG emission in the administrative office building is the GHG generated by electricity consumption, so the GHG emission per unit area is only calculated for the GHG generated by purchased electricity in the administrative office building.
4 The types of hazardous waste involved in the Group's operations are mainly waste toner cartridges and ink cartridges.
5 The types of non-hazardous waste involved in the Group's operations mainly include food waste, recyclable waste and other wastes. They are uniformly treated by a third party, and the data comes from the third-party removal company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Scope[1,2]	Unit	Quantitative value for 2022
Water consumption		
Total water consumption	cubic meters	815
Water consumption density per capita	Cubic meters/employee	1.1

The following is a summary of sustainable development information in the social context for the Current Year.

Social Scope	Unit	Quantitative values for FY2022
Number of employees[6]		
Total number of employees	Number of people	752
Number of employees by gender		
Women	Number of people	219
Male	Number of people	533
Number of employees by type of employee		
Full-time junior staff	Number of people	662
Full-time mid-level management	Number of people	54
Full-time Senior Management	Number of people	36
Number of employees by employee contract		
Labor contract workers	Number of people	746
Labor contract workers	Number of people	5
Interns	Number of people	1
Number of employees by age group		
Under 30 years old	Number of people	329
30-50 years old	Number of people	409
Over 50 years old	Number of people	14
Number of employees by region[7]		
Beijing	Number of people	540
Non-Beijing area	Number of people	212
Employee turnover rate[8]		
Total employee turnover rate	%	30.6
Employee turnover rate by gender		
Women	%	32.7
Male	%	29.6

6 The employee-related data covers the whole group and is the number of employees as of December 31 this Current Year.
7 The caliber of disclosure is the region where the employee performs their duties.
8 Employee turnover rate = number of lost employees ÷ (number of lost employees + number of employees at the end of the year) × 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope	Unit	Quantitative values for FY2022
Employee turnover rate by age group		
Under 30 years old	%	36.0
30-50 years old	%	26.4
Over 50 years old	%	21.4
Employee turnover rate by region		
Beijing	%	30.7
Non-Beijing area	%	30.2
Occupational Health and Safety		
Work-related fatalities (2020, 2021 and 2022)	Number of people	0
Work-related death rate (2020, 2021 and 2022)	%	0
Number of working days lost due to work-related injuries	Number of days	0
Development and Training		
Percentage of Employees Trained by Gender[9]		
Women	%	100
Male	%	100
Percentage of employees trained by employee category[9]		
Full-time junior staff	%	100
Full-time mid-level management	%	100
Full-time Senior Management	%	100
Average number of training hours for trained employees by gender[10]		
Male	Hours	15.8
Women	Hours	15.1
Average number of training hours for trained employees by employment category[10]		
Full-time junior staff	Hours	30.4
Full-time mid-level employees	Hours	29.6
Full-time Senior Staff	Hours	14.7
Number of suppliers by geographic region		
North China	Company	63
East China	Company	13
South China	Company	11
Southwest	Company	3
Central China	Company	1
Total number of suppliers	Company	**91**

9 The percentage of employees trained for the year is calculated as the number of employees trained in each category ÷ the total number of employees trained × 100%.

10 The average number of employee training hours for the year is calculated as the number of employees trained in each category ÷ the number of employees in each category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix II: Index to the SEHK's Environmental, Social and Governance Reporting Guidelines

Environmental and Social Scope			Related Chapters
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. Green Office
	A1.1	The types of emissions and respective emission data	Appendix I: Summary of Sustainable Development Information
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainable Development Information
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainable Development Information
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainable Development Information
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	4.1 Emissions Management 4.4 Environmental Targets
	A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.2 Waste Management 4.4 Environmental Targets
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.3 Valuing resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainable Development Information

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Scope			Related Chapters
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I: Summary of Sustainable Development Information
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.3 Valuing Resources 4.4 Environmental Targets
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.3 Valuing Resources 4.4 Environmental Targets
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group's business does not involve packaging materials
A3: Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	4. Green Office
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. Green Office
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.5 Responding to Climate Change
	A4.1	Description of the significant climate related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.5 Responding to Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Scope			Related Chapters
B. Social			
B1: Employment	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5. People-oriented
	B1.1	Total workforce by gender, employment type (for example, full – or part – time), age group and geographical region.	Appendix I: Summary of Sustainable Development Information
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainable Development Information
B2: Health and Safety	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Safety Work
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Summary of Sustainable Development Information
	B2.2	Lost days due to work injury.	Appendix I: Summary Summary of Sustainable Development Information
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Safety Work

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Scope			Related Chapters
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.4 Talent Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Summary of Sustainable Development Information
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Summary of Sustainable Development Information
B4: Labor Standard	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.1 Compliance Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Compliance Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Compliance Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1 Sustainable Supply Chain
	B5.1	Number of suppliers by geographical region.	Appendix I: Summary of Sustainable Development Information
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	6.1 Sustainable Supply Chain

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Scope			Related Chapters
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.1 Sustainable Supply Chain
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.1 Sustainable Supply Chain
B6: Product Responsibility	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	6.2.2 Product Quality and Safety 6.2.4 Information Security and Privacy 6.2.6 Responsibility Promotion
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Since the services provided by the Group are customized software services, there are no cases where products or services need to be recalled due to health and safety issues.
	B6.2	Number of products and service related complaints received and how they are dealt with.	6.2.1 Customer Relationship
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.2.5 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	6.2.2 Product Quality and Safety
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.2.4 Information Security and Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Scope			Related Chapters
B7: Anti-Corruption	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6.3 Business Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.3 Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.3 Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff.	6.3 Business Ethics
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	7. Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	7. Community Investment

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 8 November 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, medical, transportation, logistics as well as general industries.

The principal activities and particulars of the Company's subsidiaries are shown under Note 42 to the consolidated financial statements. An analysis of the Group's revenue for the year ended 31 December 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended 31 December 2022, 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 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 91 to 92 of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.04 per ordinary share of the Company for the year ended 31 December 2022 (the "**Final Dividend**"). The Final Dividend is subject to the approval of shareholders at the 2023 AGM and is expected to be paid on or about 13 July 2023 to shareholders whose names appear on the Company's share register at the close of business on 20 June 2023.

OTHER INFORMATION

USE OF PROCEEDS

The Shares in issue of the Company were listed on the Main Board of the Stock Exchange on 6 January 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

As at the beginning of the Reporting Period, the unutilized amount for developing new solutions and upgrading existing solutions was HK$551.9 million, HK$143.0 million of which was intended to develop and upgrade the Group's medical quality control warning system, HK$151.1 million of which was intended to develop the Group's clinical pathway management system, HK$76.8 million of which was intended to develop the Group's telemedicine system, HK$62.1 million of which was intended to develop a new solution of intelligent healthcare platform and HK$118.8 million of which was intended to upgrade the Group's RPA solution; the unutilized amount for enhancing the Group's sales and marketing efforts was HK$65.0 million; and the unutilized amount for working capital and other general corporate purposes was HK$14.5 million.

In order to better utilize the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the utilization of the IPO Proceeds and resolved to reallocate not more than HK$71.0 million of the surplus to pay the equity transfer consideration, to make the capital increase payment and to fulfill or pay capital contribution obligations for the acquisition of Neusoft Yuetong (the "**Re-allocation**"). For further details, please refer to the announcement of the Company dated 20 June 2022.

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

	Original allocation of the IPO Proceeds		Allocation of the IPO Proceeds after Re-allocation		Utilized amount during the Reporting Period	Unutilized amount as at 31 December 2022	Expected timeline for the use of unutilized proceeds[1]
	Percentage	Amount HK$ million	Percentage	Amount HK$ million	HK$ million	HK$ million	
For developing new solutions and upgrading existing solutions	**80.0%**	**632.3**	**72.8%**	**575.5**	**183.2**	**311.8**	
– to develop and upgrade our medical quality control and safety warning system	20.0%	158.1	18.2%	143.9	20.7	108.1	
– to develop our clinical pathway management system	20.0%	158.1	18.2%	143.9	60.1	76.8	
– to develop our telemedicine system	10.0%	79.0	9.1%	71.9	23.6	46.1	By December 2025
– to develop a new solution of intelligent healthcare platform	10.0%	79.0	9.1%	71.9	25.8	29.2	
– to upgrade our RPA solution	20.0%	158.1	18.2%	143.9	53.0	51.6	
For enhancing the sales and marketing efforts	**10.0%**	**79.1**	**9.1%**	**72.0**	**12.6**	**45.3**	
For working capital and other general corporate purposes	**10.0%**	**79.0**	**9.1%**	**71.9**	**7.4**	**0.0**	
Funds planned for the acquisition of Neusoft Yuetong			**9.0%**	**71.0**	**71.0**	**0.0**	
Total	**100.0%**	**790.4**	**100.0%**	**790.4**	**274.2**	**357.1**	

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.

DIRECTORS' REPORT

(2) On 7 January 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 7 January 2022. Apart from this, the IPO Proceeds will be allocated and utilised progressively for the purposes set out in the Prospectus.

(3) On 7 January 2022, Beijing Newlink 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.

(5) In 2022, the Group used a relatively high amount from the IPO Proceeds to invest in the research and development of its clinical pathway management system, which was mainly due to the centralised purchase of a batch of software and hardware equipment for the research and development of the project. Such batch of equipment is expected to be continuously used in the project till the end of 2025. Since its listing, the Group has continued to invest in upgrading our RPA solution at a high speed according to market demand and development needs, aiming to adapt itself to the rapid development of PRA technology updates worldwide. Therefore, the portion of the IPO Proceeds originally expected to be used to upgrade our RPA solution has been used in an accelerated manner. If such portion of the IPO Proceeds is used up ahead of the original schedule, the Group will continue such investment with its own or self-raised funds.

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 8 of this annual report.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2022 are set out in Note 15 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 31 December 2022 are set out in Note 32 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2022, 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 31 December 2022 are set out in Note 33 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves were RMB710.1 million (2021: RMB710.1 million).

DIRECTORS' REPORT

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 30 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2022.

DONATION

The Group made charitable donations of RMB1.8 million in aggregate during the year ended December 31, 2022.

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 CEO)*
Ms. QIAO Huimin *(resigned on 5 September 2022)*
Ms. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors

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

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. ZHAI Shuchun and Ms. QIN Yi, who have consented to retire, shall retire from office and have offered themselves for re-election at the forthcoming 2023 AGM.

DIRECTORS' REPORT

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 11 to 15 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

Save as disclosed in this report, 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 31 December 2022.

DIRECTOR'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in this report, 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 31 December 2022.

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 31 December 2022 was approximately RMB2.94 million.

The five highest paid individuals of our Group for the year ended 31 December 2022 included one Director, 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 four highest paid individuals in aggregate for the year ended 31 December 2022 was approximately RMB3.38 million.

DIRECTORS' REPORT

For the year ended 31 December 2022, no emoluments were paid by the Group to any Director or any of the 5 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 31 December 2022.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 11 and Note 12 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 31 December 2022, 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 3 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 2022 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.

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 31 December 2022.

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 31 December 2022, there were no matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

DIRECTORS' REPORT

POST-IPO SHARE OPTION SCHEME

On 5 December 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 5 December 2020, with the remaining validity period of approximately 7 years 8 months (as at the date of this report), 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.

Participants are not required to pay any amount to apply for or accept a share option.

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.

DIRECTORS' REPORT

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 in a controlled corporation	327,600,000	41.65%
Earnest Kai Holdings Limited		Beneficial owner	138,400,000	17.59%
Mr. YUAN Yukai	*(2)*	Interest in a controlled corporation	138,400,000	17.59%
Mr. GUO Hao		Beneficial owner	80,000,000	10.17%
Ms. WONG Shumin	*(3)*	Interest of spouse	80,000,000	10.17%

Notes:

(1) Mr. Zhai is deemed to be interested in the entire interests held by Nebula SC, a company wholly owned by him. Mr. Zhai is the director of Nebula SC.

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

(3) Ms. WONG Shumin is deemed to be interested in the entire interests held by her spouse.

(4) The percentage represents the number of ordinary shares interested as at 31 December 2022 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 31 December 2022, 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.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed by this report, at no time during the year ended 31 December 2022 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 9.8% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 39.6% of the Group's total revenue from continuing operations.

During the Reporting Period, the Group's largest supplier accounted for approximately 35.4% of the Group's total purchases. The Group's five largest suppliers accounted for 71.1% of the Group's total purchases.

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 31 December 2022, the Group had 752 employees. The staff costs including Directors' emoluments were approximately RMB119.7 million in 2022.

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 5 December 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.

DIRECTORS' REPORT

RETIREMENT BENEFITS SCHEME

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China and the Group's liability in respect of these plans is limited to the contributions payable at the end of each period. 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 and the only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

CONNECTED TRANSACTIONS

On 23 May 2022, Beijing Newlink, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Beijing Fuhuajiaxin Investment Management Co., Ltd. ("**Fuhua Investment**"), pursuant to which Beijing Newlink agreed to purchase, and Fuhua Investment agreed to sell, 10% equity interest in Beijing Fuhuajiaxin Business Incubator Company Limited ("**Fuhua Incubator**") (the "**Target Equity Interest**") in accordance with the terms and conditions of the Equity Transfer Agreement. The consideration for the transaction was RMB2.28 million, which is equal to the amount paid by Beijing Newlink to subscribe for 10% of the registered capital in Fuhua Incubator in the subscription of capital contribution of RMB2.28 million in Fuhua Incubator in August 2021, a fully-exempted connected transaction under Chapter 14A of the Listing Rules. As Fuhua Investment has not fulfilled its capital contribution obligation in relation to the Target Equity Interest, Beijing Newlink agrees to make the capital contribution in relation to the Target Equity Interest of RMB2.28 million after the completion of the Acquisition, therefore the amount payable by Beijing Newlink to Fuhua Investment in relation to this Acquisition is nil. Mr. Zhai Shuchun is a controlling Shareholder and an executive Director of the Company. As Fuhua Investment is held as to 10% and 90% by Mr. Zhai Shuchun and Mr. Zhai Guanhua (the son of Mr. Zhai Shuchun) respectively, Fuhua Investment is an associate of Mr. Zhai Shuchun and therefore a connected person of the Company. Upon completion of the Acquisition, Beijing Newlink will hold an aggregate of 20% equity interest in Fuhua Incubator. For details, please refer to the announcement of the Company dated 23 May 2022.

On 14 December 2022, Newlink Technology (Beijing), a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with Guanruitong and Mr. Zhai Shuchun regarding the transfer of 100% equity interests in Jiafutong, pursuant to which Newlink Technology (Beijing) agreed to sell and Guanruitong agreed to purchase 100% equity interests in Jiafutong in accordance with the terms and conditions of the Equity Transfer Agreement with a total consideration of RMB54.37 million (subject to the performance compensation arrangement). Mr. Zhai Shuchun is the controlling Shareholder and an executive director of the Company. As of the date of this report, 82.875% of the equity interests in Guanruitong is held by Mr. Zhai Shuchun, therefore Guanruitong is an associate of Mr. Zhai Shuchun and a connected person of the Company. On 14 December 2022, Newlink Technology (Beijing) held 100% equity interests in Jiafutong, which was the indirect wholly-owned subsidiary of the Company. After the completion of the transaction contemplated under the Equity Transfer Agreement, Newlink Technology (Beijing) no longer holds any equity interest in Jiafutong, thus the Company will no longer indirectly hold any equity interest in Jiafutong. Jiafutong will cease to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 14 December 2022.

Save as disclosed in this report, during the year ended 31 December 2022, 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.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in Note 38 to the consolidated financial statements contained herein.

Save as disclosed in this report (disclosure requirements under Chapter 14A of the Listing Rules have been complied with for such transactions), 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 2022 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 ("**EY**") acted as the auditor of the Company for the year of 2021. EY has resigned as auditor of the Company with effect from 26 July 2022, as the Company and EY could not reach a consensus in respect of the audit fee of the Company for the financial year ending 31 December 2022. EY has confirmed in its letter of resignation dated 26 July 2022 that there are no circumstances connected with its resignation as auditor of the Company that need to be brought to the attention of the shareholders or creditors of the Company. The Board and the Audit Committee of the Company also confirmed that there are no other matters with respect to the change of auditor of the Company that need to be brought to the attention of the shareholders or creditors of the Company.

On the same day, the Board, with the recommendation from the Audit Committee, appointed CCTH CPA Limited as the new auditor of the Company with effect from 26 July 2022 to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by CCTH CPA Limited.

DIRECTORS' REPORT

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. For the year ended 31 December 2022, the Company is in compliance with the applicable laws and regulations in all material respects.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and Note 43 to the consolidated financial statements, no other significant events of the Group occurred after the end of 2022 and up to the date of this report.

For and on behalf of the Board

ZHAI Shuchun
Chairman

31 March 2023

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders 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 (collectively referred to as the "Group") set out on pages 91 to 184, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other 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 2022, 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters
Revenue recognition – Software development services	
Refer to Note 3.2, Note 4 and Note 6 to the consolidated financial statements.	
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 35% of the Group's total revenue. The contract assets derived from these revenue contracts accounted for about 9% of the Group's total assets as at 31 December 2022. We identified the revenue as a key audit matter due to the 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.	Our procedures in relation to revenue recognition included: • Obtaining an understanding of the key controls over the revenue recognition process; • Understanding the significant estimates made by management and discussing the status of selected projects with the management of the Group; • Assessing management's estimates by comparing the gross profit margin with similar completed projects; • Testing, on a sample basis, on costs incurred, including checking invoices and timesheet to ensure that the costs are directly attributable to the contracts tested; and • Performing confirmation procedures for the invoiced contract amount and the total contract amount with selected customers.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters

Expected credit losses assessment of trade receivables and contract assets

Refer to Note 4, Note 22 and Note 23 to the consolidated financial statements.

As at 31 December 2022, the Group's trade receivables and contract assets amounting to approximately RMB222,834,000 and RMB118,817,000 respectively (net of allowance for expected credit loss of approximately RMB16,644,000 and RMB1,787,000, respectively), accounted for about 21% and 11% of the Group's total assets in the consolidated statement of financial position, 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 ("ECL") reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.

We identified the ECL assessment on trade receivables and contract assets as a key audit matter due to the significant management's judgements and estimates involved in the expected credit loss assessment.

Our procedures in relation to ECL assessment of trade receivables and contract assets included:

- Obtaining an understanding of the Group's methodology for the ECL assessment and the key data and assumption involved;

- Obtaining management's assessment on the collectability of individual significant customers, and corroborating management's assessment against relevant supporting evidence, including credit history and financial capability of these customers;

- Assessing the reasonableness of management's ECL assessment by examining the information used by the management to form such judgement, including assessing the reasonableness of management's use of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

- Assessing whether the trade receivables and contract assets were appropriately grouped for collective assessment by checking the nature and aging profiles of the trade receivables and contract assets, on a sample basis; and

- Testing the aging and historical settlement records used by management by checking to the supporting documents, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Capitalisation of development costs

Refer to Note 3.2, Note 4 and Note 18 to the consolidated financial statements.

As at 31 December 2022, the Group's intangible assets include deferred development cost of approximately RMB82,488,000 (net of amortisation).

During the year ended 31 December 2022, the Group capitalised development costs of approximately RMB66,923,000 to the intangible assets. Management applied judgement in identifying projects and expenditures attributable to the projects that met the criteria for capitalisation under the requirements of accounting standards. Factors taken into account by management included the Group's intention, availability of technical, financial and other resources and technical feasibility to complete such projects, its ability to sell the relevant products developed from such projects, the likelihood of generating sufficient future economic benefits to the Group and its ability to measure the expenditure incurred on a specific project reliably.

We identified the development costs as a key audit matter due to the significance of the costs capitalised and the judgement involved in assessing whether the capitalisation criteria have been met.

How our audit addressed the key audit matters

Our procedures in relation to capitalisation of development costs included:

- Obtaining an understanding and testing the controls designed and implemented by the Group over its process to capitalise development costs;

- Evaluating the nature of development costs incurred that are capitalised into intangible assets;

- Assessing the reasonableness of management's capitalisation by reviewing the related documents such as the project plan, the feasibility report, the market analysis report and approval from management; and

- Discussing the underlying assumptions and estimates used by management in capitalising development costs.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill	
Refer to Note 3.2, Note 4 and Note 17 to the consolidated financial statements.	
We identified the impairment assessment of goodwill as a key audit matter due to significant judgements and estimations exercised by the Group's management in impairment assessment. As at 31 December 2022, the Group's goodwill amounted to approximately RMB36,724,000 relating to the acquisition of Beijing Neusoft Yuetong Software Technology Co., Limited during the year ended 31 December 2022, which are subject to impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA. We considered the impairment of goodwill to be a key audit matter because management's impairment review assessment of the goodwill is based on the recoverable amount of the relevant cash generating unit ("CGU") which involved significant judgements and estimates.	Our procedures in relation to impairment assessment of goodwill included: • Assessing the competence, capabilities and objectivity of independent professional valuer that was appointed by the management to assist the management to determine the recoverable amounts of the relevant CGU; • Checking the calculations and assessing the assumptions and methodologies used by the independent professional valuer and management; and • Challenging the reasonableness of key assumptions and inputs used in the valuation based on our knowledge of the business and industry.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 March 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGE WITH GOVERNANCE 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- 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 those charged with governance 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 those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, 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.

CCTH CPA Limited
Certified Public Accountants

Kenneth Yee Lai Chan
Practising certificate number: P02095

Hong Kong, 31 March 2023

Unit 1510-1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
REVENUE	6	**260,554**	205,752
Cost of sales	9	**(190,095)**	(131,154)
Gross profit		**70,459**	74,598
Other income and gains	7	**10,682**	3,499
Fair value gain on equity investments at fair value through profit or loss		**14,035**	–
Change in fair value of contingent consideration	31	**(2,740)**	–
Selling and distribution expenses		**(11,996)**	(11,251)
Administrative expenses		**(28,726)**	(31,230)
Research and development expenses	9	**(19,148)**	(8,865)
Other expenses		**(11,529)**	(8,605)
Finance costs	8	**(1,276)**	(1,148)
Share of profits and losses of an associate		**1,034**	17
PROFIT BEFORE TAX	9	**20,795**	17,015
Income tax expense	10	**(3,356)**	(3,968)
PROFIT FOR THE YEAR		**17,439**	13,047
Other comprehensive income/(expense):			
Item that might not be reclassified to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**29,278**	(9,657)
Item that might be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**470**	1,889
Other comprehensive income/(expense) for the year, net of tax		**29,748**	(7,768)
Total comprehensive income for the year		**47,187**	5,279

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **RMB'000**	2021 RMB'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**17,488**	13,047
– Non-controlling interests		**(49)**	-*
		17,439	13,047
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		**47,236**	5,279
– Non-controlling interests		**(49)**	-*
		47,187	5,279
Earnings per share			
Basic and diluted	*14*	**RMB2.22 cents**	RMB1.64 cents

* Less than RMB1,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*15*	**5,770**	4,288
Right-of-use assets	*16(a)*	**16,907**	6,480
Goodwill	*17*	**36,724**	–
Intangible assets	*18*	**130,045**	52,157
Investment in an associate	*19*	**6,431**	4,017
Equity investments at fair value through profit or loss	*20*	**25,700**	2,280
Contract assets	*23*	**3,852**	1,036
Long-term deposits	*24*	**1,777**	1,602
Deferred tax assets	*29*	**4,282**	1,334
		231,488	73,194
CURRENT ASSETS			
Inventories	*21*	**2,249**	–
Trade receivables	*22*	**206,190**	178,724
Contract assets	*23*	**113,178**	64,066
Prepayments, deposits and other receivables	*24*	**6,478**	5,430
Amounts due from related parties	*38*	**17,149**	2,102
Other current assets		**–**	1,041
Pledged deposits	*25*	**222**	1
Restricted bank deposits	*25*	**–**	24,522
Bank balances and cash	*25*	**414,250**	524,258
		759,716	800,144
CURRENT LIABILITIES			
Trade payables	*26*	**23,666**	11,651
Contract liabilities	*27*	**9,975**	616
Other payables and accruals	*28*	**9,257**	6,044
Interest-bearing bank borrowings	*30*	**19,000**	5,000
Lease liabilities	*16(b)*	**2,585**	3,365
Tax payable		**5,297**	5,209
		69,780	31,885
NET CURRENT ASSETS		**689,936**	768,259
TOTAL ASSETS LESS CURRENT LIABILITIES		**921,424**	841,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*16(b)*	13,426	2,182
Contingent consideration	*31*	21,810	–
Deferred tax liabilities	*29*	3,577	–
		38,813	2,182
NET ASSETS		882,611	839,271
CAPITAL AND RESERVES			
Share capital	*32*	5	5
Reserves	*33*	880,148	837,759
Equity attributable to owners of the Company		880,153	837,764
Non-controlling interests		2,458	1,507
TOTAL EQUITY		882,611	839,271

The consolidated financial statements on pages 91 to 184 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Zhai Shuchun
Director

Qin Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000 *(Note 32)*	**Share premium** RMB'000 *(Note 33)*	**Merger reserve** RMB'000 *(Note 33)*	**Special reserve** RMB'000 *(Note 33)*	**Statutory surplus reserve** RMB'000 *(Note 33)*	**Exchange fluctuation reserve** RMB'000 *(Note 33)*	**Retained profits** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 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
Exchange differences arising on 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 (expense)/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
At 1 January 2022	**5**	**710,081***	**27,468***	**–**	**13,390***	**(8,256) ***	**95,076***	**837,764**	**1,507**	**839,271**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**17,488**	**17,488**	**(49)**	**17,439**
Exchange differences arising on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**29,278**	**–**	**29,278**	**–**	**29,278**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**470**	**–**	**470**	**–**	**470**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**29,748**	**17,488**	**47,236**	**(49)**	**47,187**
Capital contribution from non-controlling shareholders of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,000**	**1,000**
Deemed distribution to shareholder (Note 35)	**-**	**-**	**-**	**(4,847)**	**-**	**-**	**-**	**(4,847)**	**-**	**(4,847)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**161**	**–**	**(161)**	**–**	**–**	**–**
At 31 December 2022	**5**	**710,081***	**27,468***	**(4,847)***	**13,551***	**21,492***	**112,403***	**880,153**	**2,458**	**882,611**

* These reserve accounts comprise the consolidated reserves of RMB880,148,000 (2021: RMB837,759,000) in the consolidated statement of financial position.

** Less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**20,795**	17,015
Adjustments for:		
Finance costs	**1,276**	1,148
Interest income	**(3,440)**	(635)
Share of results of an associate	**(1,034)**	(17)
Waiver of trade payables	**(1,306)**	–
Fair value gain on equity investments at fair value through profit or loss	**(14,035)**	–
Depreciation of property and equipment	**2,159**	1,121
Depreciation of right-of-use assets	**4,804**	4,201
Amortisation of intangible assets	**19,432**	7,399
Loss on disposal of an associate	**17**	–
Impairment losses of trade receivables under expected credit loss model	**9,173**	4,020
Impairment loss of contract assets under expected credit loss model	**213**	1,206
Change in fair value of contingent consideration	**2,740**	–
Foreign exchange differences, net	**1,827**	3,376
	42,621	38,834
Increase in long-term deposits	**(2,863)**	(144)
Decrease in inventories	**1,169**	–
Increase in trade receivables	**(16,811)**	(75,496)
Increase in contract assets	**(35,200)**	(24,398)
Decrease in prepayments, deposits and other receivables	**8,486**	3,316
Increase in amounts due from related parties	**(1,207)**	(2,102)
Increase in pledged deposits	**(221)**	(1)
Decrease/(increase) in restricted bank deposits	**24,522**	(24,522)
Decrease/(increase) in other current assets	**1,041**	(1,041)
Increase in trade payables	**806**	5,386
Decrease in contract liabilities	**(877)**	(755)
Decrease in other payables and accruals	**(6,575)**	(18,105)
Cash from/(used in) operations	**14,891**	(99,028)
Income tax paid	**(3,059)**	(4,676)
Interest paid	**(894)**	(684)
Interest received	**3,440**	635
Interest element of rental payments	**(382)**	(464)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**13,996**	(104,217)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Purchases of property and equipment		(3,326)	(3,048)
Addition to intangible assets		(86,016)	(40,085)
Proceeds from disposal of an associate		4,000	–
Proceeds from disposal of property and equipment		7	–
Purchase of a shareholding in an associate		–	(4,000)
Purchase of equity investments at fair value through profit or loss		(9,385)	(2,280)
Net cash outflow on acquisition of subsidiaries	34	(58,356)	–
Net cash outflow on disposal of a subsidiary	35	(5,082)	–
NET CASH USED IN INVESTING ACTIVITIES		(158,158)	(49,413)
FINANCING ACTIVITIES			
New bank borrowings raised		15,000	5,000
Repayment of bank borrowings		(5,000)	(15,000)
Repayment of principal portion of lease liabilities		(4,767)	(4,595)
Payment for rental deposits		–	(123)
Capital contribution from non-controlling shareholders of subsidiary		1,000	–
Proceeds from issue of shares		–	726,638
Share issue expenses		–	(67,649)
Repurchase of shares		–	(24,370)
NET CASH FROM FINANCING ACTIVITIES		6,233	619,901
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(137,929)	466,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		524,258	69,131
Effect of foreign exchange rate changes, net		27,921	(11,144)
CASH AND CASH EQUIVALENTS AT END OF YEAR		414,250	524,258
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY:			
Bank balances and cash		414,250	524,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Company is an investment holding company. The principal activity of 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 2022.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Nebula SC Holdings Limited, which is incorporated in British Virgin Islands.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements to HKFRSs 2018 – 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the followings new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants (the "2022 Amendments")[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)[2,4]
Amendments to HKAS 1	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual periods beginning on or after a date to be determined

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

Amendments to HKAS 1 Non-Current Liabilities with Covenants

The amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted. The 2022 Amendments are not expected to have any significant impact on the Group's financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa. The 2020 Amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets or financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* ("HKAS 12") and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates

An associate is an entity over which the Group has 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group or like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

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;

(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);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Related parties (Continued)

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

(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.

Closed members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Property and equipment

Property and equipment are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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.

Costs incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally recognised in the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the costs 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.

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 the lease terms or 20%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 five years.

Research and development costs

Expenditure on research activities is recognised as expense in the period in which it is 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 in the period in which it is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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.

The 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 as follows:

Office premises	Over the term of the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The 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 (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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 ("FVTOCI"), and fair value through profit or loss ("FVTPL").

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 FVTPL, 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.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, 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 FVTPL, 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 FVTOCI 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 FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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.

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

<u>Financial assets at amortised cost (debt instruments)</u>

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

<u>Financial assets at FVTPL</u>

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

This category includes equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Derecognition of financial assets (Continued)

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.

Impairment of financial assets

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.

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL 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

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL 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 ECL.
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 ECL.
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 ECL.

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 ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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 ECL with policies as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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 consolidated statement of financial position when there is a legally enforceable 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which 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 at banks and on hand which are not restricted as to use.

Income tax

Income tax comprises current tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

Measurement of progress towards complete satisfaction of a performance obligation – Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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. 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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).

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

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. The information about revenue from contracts with customers are disclosed in Note 6.

Provision for ECL on trade receivables and contract assets

The Group uses a loss rate approach to calculate ECL 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Provision for ECL on trade receivables and contract assets (Continued)

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 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 ECL 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 22 and 23 to the consolidated financial statements, respectively.

Leases – Estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in a lease, 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). Details of the lease calculation are disclosed in Note 16.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in Note 3.2 to the consolidated financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future economic benefits of the assets, 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 2022, the carrying amount of deferred development costs included in intangible assets was RMB82,488,000 (2021: RMB23,666,000).

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. See Note 18 for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 17.

Impairment of property and equipment, right-of-use assets and intangible assets

The management determines whether the Group's property and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss. See Note 15, 16 and 18 for further disclosures.

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

The management determines the estimated useful lives of the Group's property and equipment, right-of-use assets and intangible assets based on the experience of actual useful lives of assets of similar nature and functions or expected useful lives of assets, after taking into account of estimated technology life cycle. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss. See Note 15, 16 and 18 for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. 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. From 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 transportation, logistics, 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, the Group has only one reportable operating segment which is the provision of IT solution services and 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

No revenue was derived from a single customer of the Group, which accounted for more than 10% of the Group's total revenue for the current year (2021: RMB74,281,000).

	2022 RMB'000	2021 RMB'000
Customer 1	*	20,877
Customer 2	*	19,570
Customer 3	*	33,834

* 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Software development services	167,241	155,747
Technical and maintenance services	50,597	17,059
Sale of standard software	42,716	32,946
Total revenue from contracts with customers	260,554	205,752
Timing of revenue recognition		
Goods transferred at a point in time	42,716	32,946
Services transferred over time	217,838	172,806
Total revenue from contracts with customers	260,554	205,752

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software development services	270	1,210
Technical and maintenance services	82	161
	352	1,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE (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:

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	57,635	37,088
After one year	2,517	5,813
	60,152	42,901

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Bank interest income	3,440	635
Interest income arising from revenue contracts	–	15
VAT refunds and other tax subsidies *(Note)*	5,798	2,807
Waiver of trade payables	1,306	–
Others	138	42
	10,682	3,499

Note: 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.

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	894	684
Interest on lease liabilities *(Note 16)*	382	464
	1,276	1,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2022 RMB'000**	2021 RMB'000
Cost of inventories sold and services rendered		**190,095**	131,154
Research and development expenses:			
Deferred expenditure amortised *(Note (i))*	*18*	**8,101**	2,073
Current year expenditure		**11,047**	8,865
		19,148	10,938
Employee benefit expense (including directors' and chief executives' remuneration):	*11*		
Wages and salaries		**102,747**	89,879
Pension scheme contributions (defined contribution scheme) *(Note (ii))*		**16,981**	15,956
		119,728	105,835
Auditors' remuneration		**1,500**	2,200
Depreciation of property and equipment	*15*	**2,159**	1,121
Depreciation of right-of-use assets	*16*	**4,804**	4,201
Amortisation of intangible assets *(Note (i))*	*18*	**19,432**	7,399
Impairment losses recognised for trade receivables *(Note (iii))*	*22*	**9,173**	4,020
Impairment losses recognised for contract assets *(Note (iii))*	*23*	**213**	1,206
Loss on disposal of an associate		**17**	–
Foreign exchange differences, net *(Note (iii))*		**1,827**	3,376
Listing expenses		**–**	6,967

Notes:

(i) 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, selling and distribution expenses, administrative expenses and research and development expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(iii) Included in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 RMB'000	2021 RMB'000
Current income tax:		
Hong Kong	572	–
PRC Enterprise Income Tax	3,625	4,969
	4,197	4,969
Deferred tax *(Note 29)*	(841)	(1,001)
	3,356	3,968

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 on 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 2021 and 2022. 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.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the 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:

	2022 RMB'000	2021 RMB'000
Profit before tax	20,795	17,015
Tax at the statutory tax rate	5,199	4,254
Effect of different tax rates for specific jurisdictions or enacted by local authority	(3,608)	(1,702)
Income not subject to taxation	(1,660)	–
Expenses not deductible for taxation purposes	2,141	2,597
Recognition/utilisation of previously unrecognised temporary differences/tax losses	2,501	11
Super deduction for research and development expenses	(1,217)	(1,192)
Income tax expense for the year	3,356	3,968

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 2022, no deferred tax liability 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 RMB120,486,000 as at 31 December 2022 (2021: RMB118,649,000).

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 2022 as tax deductible expense.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each director and chief executive for the years ended 31 December 2022 and 2021, 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 set out below:

For the year ended 31 December 2022

Name	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Zhai Shuchun					
(Chief Executive Officer)	–	926	–	116	1,042
Ms. Qiao Huimin *(Note (a))*	–	661	–	64	725
Ms. Qin Yi	–	641	–	62	703
Mr. Li Xiaodong	–	143	–	18	161
	–	2,371	–	260	2,631
Independent non-executive directors:					
Mr. Tang Baoqi	103	–	–	–	103
Mr. Ye Jinfu	103	–	–	–	103
Ms. Yang Juan *(Note (c))*	103	–	–	–	103
	309	–	–	–	309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

For the year ended 31 December 2021

Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Zhai Shuchun					
(Chief Executive Officer)	–	889	–	116	1,005
Ms. Qiao Huimin *(Note (a))*	–	600	–	95	695
Ms. Qin Yi	–	411	–	63	474
Mr. Li Xiaodong	–	121	–	17	138
	–	2,021	–	291	2,312
Independent non-executive directors:					
Mr. Tang Baoqi	100	–	–	–	100
Mr. Ye Jinfu	100	–	–	–	100
Ms. Jing Liping *(Note (b))*	91	–	–	–	91
Ms. Yang Juan *(Note (c))*	8	–	–	–	8
	299	–	–	–	299

Notes:

(a) Ms. Qian Huimin was resigned as chief financial officer and executive director on 5 September 2022.

(b) Ms. Jing Liping was resigned as independent non-executive director on 30 November 2021.

(c) Ms. Yang Juan was appointed as independent non-executive director on 30 November 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

The discretionary bonuses for both years were determined with reference to the performance against corporate objectives, the profit of the Group and the achievement of individual performance targets.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2021: two directors), details of whose emoluments are set out in Note 11 above. Details of the remuneration for the year of the remaining four (2021: three) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,976**	1,578
Pension scheme contributions	**406**	287
	3,382	1,865

The number of the highest paid employees who are not the director of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**4**	3

During the years ended 31 December 2022 and 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK$0.04 (equivalent to RMB0.0357) (2021: Nil) per ordinary share, in an aggregate amount of HK$31,460,576 (equivalent to RMB28,102,789) (2021: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 786,514,400 (2021: 796,113,935) in issue at the end of the reporting period.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**17,488**	13,047
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**786,514,400**	796,113,935
Basic and diluted earnings per share	**RMB2.22 cents**	RMB1.64 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY AND EQUIPMENT

	Electronic equipment and furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST			
At 1 January 2021	1,993	4,393	6,386
Additions	2,119	929	3,048
At 31 December 2021 and 1 January 2022	4,112	5,322	9,434
Additions	3,124	202	3,326
Acquired on acquisition of subsidiaries *(Note 34)*	383	–	383
Disposals	(20)	–	(20)
Disposed on disposal of a subsidiary *(Note 35)*	(76)	–	(76)
At 31 December 2022	7,523	5,524	13,047
ACCUMULATED DEPRECIATION			
At 1 January 2021	1,099	2,926	4,025
Provided for the year	495	626	1,121
At 31 December 2021 and 1 January 2022	1,594	3,552	5,146
Provided for the year	1,171	988	2,159
Eliminated on disposals	(13)	–	(13)
Eliminated on disposal of a subsidiary *(Note 35)*	(15)	–	(15)
At 31 December 2022	2,737	4,540	7,277
CARRYING VALUES			
At 31 December 2022	4,786	984	5,770
At 31 December 2021	2,518	1,770	4,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY AND EQUIPMENT (CONTINUED)

The above items of plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Electronic equipment and furniture	20%
Leasehold improvements	Shorter of the lease terms or 20%

16. 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:

	2022 **RMB'000**	2021 RMB'000
At the beginning of the year	**6,480**	9,222
Additions	**15,231**	1,459
Depreciation charge *(Note 9)*	**(4,804)**	(4,201)
At the end of the year	**16,907**	6,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) *Lease liabilities*

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

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**5,547**	8,684
New leases	**15,231**	1,333
Accretion of interest recognised during the year *(Note 8)*	**382**	464
Payments	**(5,149)**	(4,934)
Carrying amount at 31 December	**16,011**	5,547
Classified as:		
Current liabilities	**2,585**	3,365
Non-current liabilities	**13,426**	2,182
	16,011	5,547

The maturity analysis of lease liabilities is disclosed in Note 41 to the financial statements.

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

	2022 **RMB'000**	2021 RMB'000
Interest on lease liabilities *(Note 8)*	**382**	464
Depreciation of right-of-use assets *(Note 9)*	**4,804**	4,201
Expense relating to short-term leases (included in cost of sales, administrative expenses, selling and distribution expenses, and research and development expenses)	**943**	261
Total amount recognised in profit or loss	**6,129**	4,926

(d) The total cash outflow for leases is disclosed in Note 36 to the consolidated financial statements.

(e) The Group has various contracted, but not provided short-term lease commitments. The future lease payments for these non-cancellable lease contracts are approximately RMB491,000 (2021: RMB287,000) due within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. GOODWILL

	2022 RMB'000
COST AND NET CARRYING AMOUNT	
At the beginning of the year	–
Arising on acquisition of subsidiaries *(Note 34)*	54,970
Disposal of a subsidiary *(Note 35)*	(18,246)
At the end of the year	36,724

Impairment test of goodwill

There is one CGU, namely Beijing Neusoft Yuetong Software Technology Co., Limited ("Neusoft Yuetong"), which is included in the operating segment of IT solution service identified by the Group. Goodwill acquired through business combinations is allocated to the CGU based on the ratio of the recoverable amount of a CGU at the date of acquisition.

During the year ended 31 December 2022, the Group disposed of the entire equity interests of Beijing Jiafutong Network Technology Co., Ltd. ("Jiafutong"). The disposal was completed on 14 December 2022. Detail of the disposal are disclosed in Note 35.

The carrying amount of goodwill as at 31 December 2022 was RMB36,724,000. The recoverable amounts of the CGU at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows taking into account the expected operating synergy, profitability and growth of businesses arising from the acquisition of Neusoft Yuetong and its subsidiary. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion and compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from a track record of financial results. Management's financial model assumes an average growth rate of 3% per annum from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors. A discount rate of 15% is used based on the pre-tax weighted average cost of capital plus an appropriate risk premium relating to the CGU at the date of assessment.

No impairment loss has been recognised in respect of goodwill for the year ended 31 December 2022 as its value-in-use exceeded its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTANGIBLE ASSETS

	Software licenses RMB'000	Deferred development costs RMB'000	Total RMB'000
COST			
At 1 January 2021	18,217	5,504	23,721
Additions – acquired	20,338	–	20,338
Additions – internal development	–	21,023	21,023
At 31 December 2021 and 1 January 2022	**38,555**	**26,527**	**65,082**
Acquired on acquisition of subsidiaries *(Note 34)*	**1,504**	**21,800**	**23,304**
Additions – acquired	**28,893**	**–**	**28,893**
Additions – internal development	**–**	**57,123**	**57,123**
Disposed on disposal of a subsidiary *(Note 35)*	**–**	**(12,000)**	**(12,000)**
At 31 December 2022	**68,952**	**93,450**	**162,402**
ACCUMULATED AMORTISATION			
At 1 January 2021	4,738	788	5,526
Provided for the year	5,326	2,073	7,399
At 31 December 2021 and 1 January 2022	**10,064**	**2,861**	**12,925**
Provided for the year	**11,331**	**8,101**	**19,432**
At 31 December 2022	**21,395**	**10,962**	**32,357**
CARRYING VALUES			
At 31 December 2022	**47,557**	**82,488**	**130,045**
At 31 December 2021	28,491	23,666	52,157

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software licenses	5 years
Deferred development costs	3 years

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For the year ended 31 December 2022

19. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Cost of investment in associates	**4,000**	4,000
Acquired on acquisition of subsidiaries	**5,397**	–
Disposal of an associate	**(4,000)**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,034**	17
Share of net assets	**6,431**	4,017

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 2022	2021	Principal activity
北京和順慧康科技有限公司 Beijing Heshun Huikang Technology Co., Ltd *(Note (i))* ("Beijing Heshun")	Ordinary shares	PRC/ Mainland China	22 February 2021	**35**	–	Software development and maintenance
北京銀信通合科技有限公司 (Beijing Yinxin Communication Technology Co.,Ltd) *(Note (i))* ("Beijing Yinxin")	Ordinary shares	PRC/ Mainland China	21 March 2018	**–** **(Note (ii))**	40	Software development and maintenance

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

Notes:

(i) The English name of the 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.

(ii) On 24 June 2022, Beijing Newlink, a wholly owned subsidiary of the Company, entered into a disposal agreement with the purchaser (the "Purchaser"), whereby the Purchaser agreed to purchase and Beijing Newlink agreed to dispose of 40% of equity interests of Beijing Yinxin at a consideration of RMB4,000,000. The disposal was completed on 4 November 2022. The loss on disposal of RMB17,000 was recognised in the profit or loss.

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

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For the year ended 31 December 2022

19. INVESTMENT IN AN ASSOCIATE (CONTINUED)

(a) Beijing Heshun

	2022 RMB'000	2021 RMB'000
Current assets	9,419	–
Non-current assets	11,416	–
Current liabilities	2,462	–
Non-current liabilities	–	–
Revenue	7,374	–
Profit for the year	2,954	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	2,954	–
Dividends received from the associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of Beijing Heshun	18,373	–
Proportion of the Group's ownership interest in Beijing Heshun	35%	–
The Group' share of net assets of Beijing Heshun	6,431	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted equity investments, at fair value		
Beijing Fuhuajiaxin Business Incubator Company Limited	18,400	2,280
Advanced Biomed Inc.	7,300	–
At the end of the year	25,700	2,280

21. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	2,249	–

22. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	222,834	184,587
Less: Allowance for ECL	(16,644)	(5,863)
	206,190	178,724

As at 1 January 2021, trade receivables amounted RMB107,248,000.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. TRADE RECEIVABLES (CONTINUED)

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 41 to the consolidated financial statements. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an ageing analysis of the trade receivables as at the end of the reporting periods, based on the recognition date of gross trade receivables and net of allowance for ECL:

	2022 **RMB'000**	2021 RMB'000
Within 90 days	**31,374**	60,434
91 to 180 days	**31,609**	27,765
181 days to 1 year	**54,092**	34,400
1 year to 2 years	**62,540**	44,995
2 year to 3 years	**26,575**	11,130
	206,190	178,724

The movements in the allowance for ECL of trade receivables are as follows:

	2022 **RMB'000**	2021 RMB'000
Balance as at 1 January	**5,863**	1,843
Arising on acquisition of subsidiaries	**1,608**	–
Allowance for ECL recognised during the year	**9,173**	4,020
Balance as at 31 December	**16,644**	5,863

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. TRADE RECEIVABLES (CONTINUED)

31 December 2022	**Amount RMB'000**	**ECL rate**	**Allowance for ECL RMB'000**
Trade receivables aged:			
Within 180 days	**63,686**	**1.11%**	**704**
181 days to 1 year	**54,880**	**1.44%**	**788**
1 to 2 years	**69,321**	**9.78%**	**6,781**
2 to 3 years	**34,947**	**23.95%**	**8,371**
	222,834		**16,644**

31 December 2021	Amount RMB'000	ECL rate	Allowance for ECL 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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For the year ended 31 December 2022

23. CONTRACT ASSETS

	31 December 2022	31 December 2021	1 January 2021
Contract assets	**118,817**	66,676	42,277
Less: allowance for ECL	**(1,787)**	(1,574)	(368)
	117,030	65,102	41,909
Classified as:			
Current assets	**113,178**	64,066	40,507
Non-current assets	**3,852**	1,036	1,402
	117,030	65,102	41,909

The amount of contract assets expected to be recovered after more than one year is RMB3,852,000 (2021: RMB1,036,000), all of which relates to retentions receivables. Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

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 2022 and 2021 were the result of the increase in software development services at the end of the year.

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For the year ended 31 December 2022

23. CONTRACT ASSETS (CONTINUED)

The movements in the allowance of ECL of contract assets are as follows:

	2022 RMB'000	2021 RMB'000
Balance as at 1 January	1,574	368
Allowance of ECL recognised during the year	213	1,206
Balance as at 31 December	1,787	1,574

An impairment analysis is performed at each reporting date using a loss rate approach to measure ECL. The loss rates for the measurement of the ECL 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:

	2022	2021
ECL rate	1.50%	2.36%
Gross carrying amount (RMB'000)	118,817	66,676
Allowance of ECL (RMB'000)	1,787	1,574

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	**1,628**	3,172
Deposits	**1,777**	1,602
Deposits and other receivables	**4,850**	2,258
	8,255	7,032
Classified as:		
Current assets	**6,478**	5,430
Non-current assets	**1,777**	1,602
	8,255	7,032

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 ECL. In calculating the ECL rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the reporting period, the Group estimated the ECL for the above receivables to be insignificant.

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25. BANK BALANCES AND CASH, RESTRICTED BANK DEPOSITS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Bank balances and cash, restricted bank deposits and pledged deposits	**414,472**	548,781
Less:		
Pledged deposits	**(222)**	(1)
Restricted bank deposits	**–**	(24,522)
Cash and cash equivalents per the consolidated statement of cash flows	**414,250**	524,258
Denominated in:		
RMB	**180,105**	168,224
US$	**688**	674
HK$	**233,679**	379,883

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 during the year ended 31 December 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. TRADE PAYABLES

The aging analysis of trade payables at the end of the reporting periods, based on the invoice date is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	3,854	10,345
3 to 6 months	1,667	–
6 months to 1 year	2,537	1,306
Over 1 year	15,608	–
	23,666	11,651

27. 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 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Software development services	8,557	485	1,210
Technical and maintenance services	1,418	131	161
	9,975	616	1,371

Contract liabilities include short-term advances received to provide software development services and technical and maintenance services. The increase in contract liabilities in 2022 and 2021 were mainly due to increase 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 and the acquisition of subsidiaries during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Other payables	2,721	4,342
Accrued staff costs	4,370	25
Other tax payables	2,166	1,677
	9,257	6,044

29. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	4,282	1,334
Deferred tax liabilities	(3,577)	–
	705	1,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Book-tax difference of amortisation of intangible assets	ECL provisions	Fair value adjustments on equity investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	–	333	–	333
Credit to profit or loss	218	783	–	1,001
At 31 December 2021	218	1,116	–	1,334
Arising on acquisition of subsidiaries	(1,470)	–	–	(1,470)
Credit/(charge) to profit or loss	603	2,345	(2,107)	841
At 31 December 2022	**(649)**	**3,461**	**(2,107)**	**705**

The Group has tax losses arising in Mainland China of RMB12,178,000 (2021: RMB44,000) 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 2022.

30. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**3.55-4.6**	**2023**	**19,000**	4.6	2022	5,000

	2022	2021
	RMB'000	RMB'000
The carrying amounts of the above borrowings are repayables:		
Within one year	**19,000**	5,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. CONTINGENT CONSIDERATION

	2022 RMB'000
At beginning of the year	–
Arising on acquisition of subsidiaries *(Note 34)*	30,810
Fair value change recognised in profit or loss	2,740
Disposal of a subsidiary *(Note 35)*	(11,740)
At end of the year	21,810

The contingent consideration for the acquisition of Neusoft Yuetong requires the Group to pay the sellers remaining consideration not exceeding RMB31,515,151 in cash, depending on the audited net profit and the revenue from a principal business for the calendar years 2022, 2023 and 2024 meet specified targets. RMB19,070,000 represents the estimated fair value of this obligation on 14 July 2022 (Note 34).

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between RMB0 and RMB31,515,151.

The contingent consideration was valued by Asia-Pacific Consulting and Appraisal Limited, an independent and registered professional firm of valuers, at 14 July 2022 and 31 December 2022, using the income approach. Included in profit or loss for the year was RMB2,740,000 increase in fair value of contingent consideration from 14 July 2022 to 31 December 2022.

32. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Authorised:		
50,000,000,000 ordinary shares of US$0.000001 each	349	349
Issued and fully paid:		
786,514,400 ordinary shares of US$0.000001 each	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Par value US$	Share capital US$	Share capital RMB'000
At 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, 1 January 2022 and 31 December 2022	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 and made an offering of 200,000,000 ordinary shares at a price at HK$4.36 per share.

(b) During the year ended 31 December 2021, the Company repurchased 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 repurchased shares were cancelled during the year ended 31 December 2021 and the total amount paid for the repurchase of the shares of HK$29,685,424 has been charged to share capital and share premium of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2022 are presented in the consolidated statement of changes in equity on page 95 of the consolidated 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) Special reserve

The amount of approximately RMB4,847,000 included in special reserve represents the disposal of Jiafutong to Beijing Guanruitong E-Commerce Technology Co., Ltd., ("Guanruitong") which controlled by Mr. Zhai Shuchun, the controlling shareholder and executive director of the Company.

(d) 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.

(e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. RESERVES (CONTINUED)

(e) 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 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 and 1 January 2022	710,081	(13,992)	(22,896)	673,193
Translation from functional currency to presentation currency	–	62,462	–	62,462
Profit for the year	–	–	7,903	7,903
Total comprehensive income for the year	–	62,462	7,903	70,365
At 31 December 2022	**710,081**	**48,470**	**(14,993)**	**743,558**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. ACQUISITION OF SUBSIDIARIES

(a) Neusoft Yuetong

On 14 July 2022, the Group acquired 100% equity interest in Neusoft Yuetong. Neusoft Yuetong is established in the PRC with limited liability on 23 July 2009 and a service provider offering IT solutions to customers in finance and other industries. Neusoft Yuetong is principally engaged in offering SaaS platform services to financial institutions, and IT value-industries. The directors of the Company considered that Neusoft Yuetong became one of its indirect wholly-owned subsidiary of the Group and the financial performance of Neusoft Yuetong would be consolidated into the consolidated financial statements of the Group after the completion of the acquisition. The board of the directors consider that the acquisition could diversify the existing business activities of the Group. The acquisition has been accounted for as acquisition of business using the acquisition method.

According to the equity transfer and capital increase agreement (the "Agreement I") dated 20 June 2022, the consideration for the acquisition of Neusoft Yuetong was settled by way of (a) initial consideration of RMB48,484,849 in cash; (b) to succeed the capital contribution obligations ("Investment Monies") of RMB7,430,769 for the unpaid registered capital in the equity interest transferred by one of the Sellers; (c) to make a capital increase ("Capital Increase Monies") of RMB18,000,000 to Neusoft Yuetong; and (d) contingent consideration of cash consideration of up to RMB31,515,151. The final amount of consideration depends on whether Neusoft Yuetong's actual net profit and revenue from principal business for the calendar years 2022, 2023 and 2024 ("Guarantee Year") meet specified targets and is payable following the end of the Guarantee Year.

The Guarantee Year that the consolidated net profit and revenue of Neusoft Yuetong achieved in each Guarantee Year shall be not less than the net profit and revenue targets set for the corresponding year as set out below:

	2022 RMB'000	2023 RMB'000	2024 RMB'000	Total RMB'000
Guaranteed revenue from principal business	60,000	72,000	86,400	218,400
Guaranteed net profit	3,000	4,500	6,750	14,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Neusoft Yuetong (Continued)

The performance guarantee sellers will be deemed to have completed the performance guarantee if (1) the actual net profit of Neusoft Yuetong in each Guarantee Year reaches or exceeds the guaranteed net profit for the year; or (2) the actual net profit of Neusoft Yuetong in a certain Guarantee Year is lower than the guaranteed net profit for the year, but (i) the actual revenue from the principal business for the year reaches or exceeds the guaranteed revenue from the principal business for the year, (ii) the actual net profit for the year is greater than 0, and (iii) the total actual net profit during the certain Guarantee Year reaches or exceeds the total guaranteed net profit for the certain Guarantee Year.

Where Neusoft Yuetong fails to satisfy any of the requirements set out in item (1) or (2) in the preceding paragraph, the performance guarantee sellers will be deemed to have failed to complete the guaranteed performance. In this case, upon expiry of the Guarantee Year, the parties will calculate the performance compensation amount pursuant to the calculation formula therefor, and each performance guarantee sellers shall make compensation to the Group.

Calculation Formula for Performance Compensation Amount

Performance compensation amount = (Total guaranteed net profit for the Guarantee Year – Total actual net profit for the Guarantee Year) ÷ Total guaranteed net profit for the Guarantee Year × (Equity Transfer Consideration of RMB80,000,000 – Audited net assets of Neusoft Yuetong at the end of the Guarantee Year). If the performance compensation amount is less than 0 upon calculation, no performance compensation will be required. If the audited net assets of Neusoft Yuetong at the end of the Guarantee Year are greater than RMB80,000,000 and the total actual net profit for the Guarantee Year is greater than the total guaranteed net profit for the Guarantee Year, no performance compensation will be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Neusoft Yuetong (Continued)

The fair value of the net identifiable assets and liabilities of Neusoft Yuetong, acquired as at the date of acquisition, is as follows:

	2022 RMB'000
Net assets acquired of:	
Property, plant and equipment	317
Intangible assets	11,304
Investment in an associate	5,397
Inventories	3,418
Trade receivables	22,741
Contract assets	14,078
Amounts due from group companies	414
Prepayments, deposits and other receivables	8,548
Bank balances and cash	2,945
Trade payables	(11,151)
Contract liabilities	(10,367)
Other payables and accruals	(11,343)
Interest-bearing bank borrowings	(4,000)
Deferred tax liability	(1,470)
	30,831
Goodwill arising on acquisition:	
Consideration	67,555
Less: fair value of net assets acquired	(30,831)
	36,724
Satisfied by:	
Cash consideration paid	48,485
Contingent consideration *(Note 31)*	19,070
	67,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Neusoft Yuetong (Continued)

	2022 RMB'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	(48,485)
Bank and cash balances acquired	2,945
	(45,540)

The fair value of the contingent consideration arrangement of RMB19,070,000 was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 15%.

As at the acquisition date, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible.

Goodwill arose in the acquisition of Neusoft Yuetong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Neusoft Yuetong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Neusoft Yuetong contributed RMB33,495,512.32 and RMB8,826,736.37 to the Group's revenue and profit for the year ended 31 December 2022 respectively for the period between the date of acquisition and the end of the reporting period.

Had this business combination been effected at 1 January 2022, the revenue of the Group would have been RMB63,528,000, and the loss for the year would have been RMB5,052,379.81. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Jiafutong

On 13 September 2022, the Group acquired 100% interest in Jiafutong. Jiafutong is established in the PRC with limited liability on 16 May 2018 and is a financial SaaS system service provider. Jiafutong is principally engaged in providing aggregate payment technical services to small, medium and micro enterprises. The directors of the Company considered that Jiafutong became one of its indirect wholly-owned subsidiary of the Group and the financial performance of Jiafutong would be consolidated into the consolidated financial statements of the Group after the completion of the acquisition. The board of the directors consider that the acquisition could diversify the existing business activities of the Group. The acquisition has been accounted for as acquisition of business using the acquisition method.

According to the equity transfer agreement (the "Agreement II") dated 26 August 2022, the consideration for the acquisition of Jiafutong was settled by way of (a) initial consideration of RMB18,200,000 in cash, with an adjustment to initial consideration of netting off the amounts due from the sellers and its related parties of RMB4,359,273; and (b) contingent consideration of cash consideration of up to RMB36,170,000. The final amount of consideration depends on Jiafutong's actual net profit for the calendar year 2022, 2023 and 2024 ("Guarantee Year") meet specified targets and is payable following the expiry of the years ending 2023 and the end of the final Guarantee Year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Jiafutong (Continued)

The fair value of the net identifiable assets and liabilities of Jiafutong, acquired as at the date of acquisition, is as follows:

	2022 RMB'000
Net assets acquired of:	
Property, plant and equipment	66
Intangible assets	12,000
Trade receivables	3,337
Amounts due from the sellers and its related parties	4,359
Prepayments, deposits and other receivables	2,726
Bank balances and cash	1,025
Trade payables	(4,333)
Contract liabilities	(1,009)
Other payables and accruals	(6,477)
	11,694
Goodwill arising on acquisition:	
Consideration	29,940
Less: fair value of net assets acquired	(11,694)
	18,246
Satisfied by:	
Cash consideration paid	13,841
Amounts due from the sellers and its related parties	4,359
Contingent consideration *(Note 31)*	11,740
	29,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Jiafutong (Continued)

	2022 RMB'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	**(13,841)**
Bank and cash balances acquired	**1,025**
	(12,816)

The fair value of the contingent consideration arrangement of RMB11,740,000 was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 27%.

As at the acquisition date, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible.

Goodwill arose in the acquisition of Jiafutong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jiafutong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Jiafutong contributed RMB19,614,000 and RMB4,847,000 to the Group's revenue and profit for the period from 14 September 2022 to 14 December 2022 respectively for the period between the date of acquisition and the date of disposal (Note 35).

Had this business combination been effected at 1 January 2022, the revenue of the Group would have been RMB50,717,000, and the profit for the period would have been RMB6,858,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. DISPOSAL OF A SUBSIDIARY

Jiafutong

On 14 December 2022, the Group entered into an equity transfer agreement (the "Disposal Agreement") with Guanruitong and Mr. Zhai Shuchun, the controlling shareholder and an executive director of the Company, held 82.875% of the equity interests in Guanruitong, whereby Guanruitong agreed to purchase and the Group agreed to sell the entire 100% equity interests of Jiafutong. The disposal was completed on 14 December 2022. Loss arising on the disposal of a subsidiary amounting to RMB4,847,000 are included in special reserves in the consolidated statement of changes in equity.

According to the Disposal Agreement dated on 14 December 2022, the consideration for the disposal of Jiafutong was settled by way of (a) initial consideration of RMB13,840,727 will be paid in three installments in each of the year in 2023, 2024 and 2025 together with interests at an interest rate of three-year fixed deposits of the People's Bank of China. Guanruitong will succeed the Group's payment obligation of the outstanding equity purchase price under the Agreement II. Guanruitong shall perform the contingent consideration of up to RMB36,170,000. The final amount of consideration depends on Jiafutong's actual net profit for the calendar year 2022, 2023 and 2024 meet specific targets and is payable following the expiry of the years ending 2023 and the end of the final Guarantee Year.

The carrying amounts of the assets and liabilities at its date of disposal, were as follows:

	2022 RMB'000
Net assets disposed of:	
Property, plant and equipment	61
Goodwill	18,246
Intangible assets	12,000
Trade receivables	3,798
Prepayments, deposits and other receivables	6,338
Bank balances and cash	5,082
Trade payables	(2,969)
Contract liabilities	(1,140)
Amount due to group companies	(1,191)
Other payables and accruals	(4,389)
Tax payables	(1,049)
	34,787
Loss on disposal of a subsidiary:	
Deferred consideration receivables *(Note)*	18,200
Contingent consideration	11,740
Less: Net assets disposed of	(34,787)
	4,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Jiafutong (Continued)

	2022 RMB'000
Analysis of net outflow of cash and cash equivalents in connection with the disposal of a subsidiary:	
Cash consideration	–
Less: bank balances and cash disposed	(5,082)
	(5,082)

Note:

The deferred consideration receivables RMB18,200,000 with an adjustment of netting off the amount of RMB4,359,273, being the amounts due from the sellers and its related parties as disclosed in Note 34(b). The cash consideration of RMB13,841,000 will be settled in three installments in each of the year in 2023, 2024 and 2025 together with interests at an interest rate of three-year fixed deposits of the People's Bank of China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB15,231,000 (2021: RMB1,333,000), in respect of lease arrangements for office buildings.

(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 entered	1,333	–
Interest on lease liabilities	464	–
Interest paid classified as operating cash flows	(464)	–
At 31 December 2021 and 1 January 2022	5,547	5,000
Changes from financing cash flows	(4,767)	10,000
Acquisition of subsidiaries *(Note 34)*	–	4,000
New leases entered	15,231	–
Interest on lease liabilities	382	–
Interest paid classified as operating cash flows	(382)	–
At 31 December 2022	**16,011**	**19,000**

(c) Total cash outflow for leases

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

	2022 **RMB'000**	2021 RMB'000
Within operating activities	**382**	869
Within financing activities	**4,767**	4,718
	5,149	5,587

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37. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	23,500	–

38. 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
Mr. Zhai Guanhua	The chief financial officer and a close member of Mr. Zhai Shuchun
Beijing Fuhuajiaxin Investment Management Company Limited ("Fuhua Investment")	Entity controlled by Mr. Zhai Guanhua
Beijing Fuhuajiaxin Business Incubator Company Limited ("Fuhuajiaxin")	Entity controlled by Mr. Zhai Guanhua

In addition to the balances and transactions detailed elsewhere in this report, the Group had the following material related party transactions during the years ended 31 December 2022 and 2021:

(a) Transactions with parties

Related parties	Nature of transactions	2022 RMB'000	2021 RMB'000
Guanruitong	Disposal of a subsidiary *(Note b(ii))*	13,840	–
	Provide technical services	–	2,102
Fuhua Investment	Purchase of equity investment *(Note b(i))*	2,280	–
		16,120	2,102

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties

i) During the year ended 31 December 2022, Beijing Newlink acquired an additional 10% equity interest in Fuhuajiaxin from Fuhua Investment at a consideration of RMB2,280,000. Upon completion of the acquisition and subsequent to the capital increase of Fuhuajiaxin, the Group held equity interest of 19.8% in Fuhuajiaxin.

ii) On 14 December 2022, the Group disposed its 100% equity interest in Jiafutong to Guanruitong and Mr. Zhai Shuchun. Upon completion of the disposal, Jiafutong ceased to be subsidiary of the Group. Details of this transaction are set out in Note 35.

(c) Amounts due from a related parties

The amounts due are unsecured, interest-free and repayable on demand, except for the amount due from Guanruitong of approximately RMB13,841,000 was unsecured, carry interest rate of three-year fixed deposits of People's Bank of China and repayable in three installments.

Particulars of amounts due from related parties, disclosed pursuant to section 383(1)(d) of the CO, are as follows:

	31 December 2022 RMB'000	Maximum amount outstanding during the year RMB'000	31 December 2021 RMB'000
Guanruitong	**16,069**	16,069	2,021
Beijing Heshun	**1,080**	1,080	–
	17,149	17,149	2,021

(d) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,371**	2,021
Pension scheme contributions	**260**	291
Fees	**309**	299
	2,940	2,611

Further details of directors' and chief executive's emoluments are included in Note 11 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. 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:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Equity investments at fair value through profit or loss	25,700	2,280
Financial assets at amortised cost:		
Trade receivables	206,190	178,724
Deposits and other receivables	4,850	2,258
Long term deposits	1,777	1,602
Amounts due from related parties	17,149	2,102
Pledged deposits	222	1
Restricted bank deposits	–	24,522
Bank balances and cash	414,250	524,258
	670,138	735,747

	2022 RMB'000	2021 RMB'000
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Contingent consideration	21,810	–
Financial liabilities at amortised cost:		
Trade payables	23,666	11,651
Other payables and accruals	2,721	4,342
Interest-bearing bank borrowings	19,000	5,000
Lease liabilities	16,011	5,547
	83,208	26,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2022, 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 trade receivables, deposits and other receivables, amounts due from related parties, pledged deposits, restricted bank deposits, bank balances and cash, trade payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities 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 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 and contingent consideration, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. 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

As at 31 December 2022:

	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
Financial assets at FVTPL				
Equity investments at FVTPL	–	–	25,700	25,700
Financial liabilities at FVTPL				
Contingent consideration	–	–	21,810	21,810

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
Financial assets at FVTPL				
Equity investments at FVTPL	–	–	2,280	2,280

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 (2021: Nil).

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For the year ended 31 December 2022

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

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements of financial instruments on recurring basis:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2021	–	–
Purchased	2,280	–
At 31 December 2021 and 1 January 2022	2,280	–
Purchased	9,385	–
Acquisition of subsidiaries *(Note 34)*	–	30,810
Disposal of a subsidiary *(Note 35)*	–	(11,740)
Fair value changes	14,035	2,740
At 31 December 2022	**25,700**	**21,810**

For the year ended 31 December 2022, included in profit or loss is an amount of approximately RMB14,035,000 fair value gain relating to the unlisted equity securities classified as equity investments at FVTPL held at the end of the current reporting period.

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of Neusoft Yuetong (see Note 34(a)). Loss for the current year relating to this contingent consideration has been recognised in profit or loss.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, deposits and other receivables, amounts due from related parties, pledged deposits, restricted bank deposits, bank balances and cash, financial liabilities at fair value through profit or loss, trade payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective Notes.

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.

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For the year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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 RMB'000	Increase/ (decrease) in equity RMB'000
2022			
If the RMB strengthens against the US$	**(5%)**	**(34)**	**(30)**
If the RMB weakens against the US$	**5%**	**34**	**30**
If the RMB strengthens against the HK$	**(5%)**	**–**	**(11,683)**
If the RMB weakens against the HK$	**5%**	**–**	**11,683**
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

Credit risk

The credit risk of the Group's financial assets, which comprise financial assets at fair value through profit or loss, bank balances and cash, pledged deposits, restricted bank deposits, 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 deposits and other receivables are disclosed in Notes 22 and 24 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. 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.

	2022 %	2021 %
Percentage of total trade receivables due from:		
Group's five largest trade debtors	30	54

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 2021 and 2022. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022	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	1,777	–	–	–	1,777
Contract assets *(Note (i))*	–	–	–	118,817	118,817
Trade receivables *(Note (i))*	–	–	–	222,834	222,834
Deposits and other receivables					
– Normal *(Note (ii))*	4,850	–	–	–	4,850
Amounts due from related parties					
– Normal *(Note (ii))*	17,149	–	–	–	17,149
Pledged deposits	222	–	–	–	222
Bank balances and cash –					
Not yet past due	414,250	–	–	–	414,250
	438,248	–	–	341,651	779,899

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

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 *(Note (i))*	–	–	–	66,676	66,676
Trade receivables *(Note (i))*	–	–	–	184,587	184,587
Deposits and other receivables					
– Normal *(Note (ii))*	3,860	–	–	–	3,860
Amount due from a related party					
– Normal *(Note (ii))*	2,102	–	–	–	2,102
Pledged deposits	1				1
Restricted bank deposits	24,522	–	–	–	24,522
Bank balances and cash					
– Not yet past due	524,258	–	–	–	524,258
	556,345	–	–	251,263	807,608

Notes:

(i) 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 22 and 23 to the consolidated financial statements, respectively.

(ii) The credit quality of the financial assets included in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. 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:

	2022					
	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	3,854	1,667	2,537	15,608	–	23,666
Other payables and accruals	2,721	–	–	–	–	2,721
Interest-bearing bank borrowings	–	19,032	–	–	–	19,032
Lease liabilities	–	1,570	1,143	2,716	11,246	16,675
	6,575	22,269	3,680	18,324	11,246	62,094

	2021					
	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	10,345	–	1,306	–	–	11,651
Other payables and accruals	–	4,342	–	–	–	4,342
Interest-bearing bank borrowings	–	58	5,032	–	–	5,090
Lease liabilities	–	1,308	2,312	2,214	–	5,834
	10,345	5,708	8,650	2,214	–	26,917

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For the year ended 31 December 2022

41. 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:

	2022	2021
	RMB'000	RMB'000
Total assets	**991,204**	873,338
Total liabilities	**108,593**	34,067
Asset-liability ratio	**11%**	4%

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For the year ended 31 December 2022

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment and operation	Issued and fully paid up capital/ registered capital	Equity interests attributable to the Group		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
紐領科技(北京)有限公司 Newlink Technology (Beijing) Co., Ltd. * *(Note (i))* ("Newlink Technology (Beijing)")	The PRC	US$15,000,000	–	100	Investment holding
北京新紐科技有限公司 Beijing Newlink Technology Company Limited* ("Beijing Newlink")	The PRC	RMB102,030,405	–	100	Software development and maintenance
北京新紐醫訊科技有限公司 Beijing Newlink Healthcare Information Technology Company Limited*	The PRC	RMB30,000,000	–	90	Software development and maintenance
海南新紐科技有限公司 Hainan Newlink Technology Co., Ltd.*	The PRC	RMB10,000,000	–	100	Software development and maintenance
成都新紐科技有限公司 Chengdu Newlink Technology Co., Ltd. ("Chengdu Newlink")* *(Note (iii))*	The PRC	RMB10,000,000	–	80	Inactive
北京東軟越通軟件技術 有限公司 Beijing Neusoft Yuetong Software Technology Co., Ltd.* ("Neusoft Yuetong")	The PRC	RMB41,952,884	–	100	Software development and maintenance
東軟越通軟件技術(大連)有限公司 Neusoft Yuetong Software Technology (Dalian) Co., Ltd.* ("Neusoft Dalian")	The PRC	RMB5,000,000	–	100	Software development and maintenance

* 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.

Notes:

(i) Newlink Technology (Beijing) is registered as a wholly-foreign-owned enterprise under PRC law.

(ii) All the PRC subsidiaries are limited liability companies.

(iii) Chengdu Newlink was established and incorporated on 16 August 2022 in the PRC.

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43. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 January 2023, Nebula SC Holdings Limited ("Nebula SC"), a limited company wholly-owned by Mr. Zhai Shuchun entered into the Bought and Sold Notes and the Instrument of Transfer with Mr. Zhai Guanhua, to sell 27,000,000 shares of the Company at the price HK$2.020 per share to Mr. Zhai Guanhua, representing approximately 3.43% of the total issued shares of the Company. Upon completion Mr. Zhai Shuchun held a total of 327,600,000 shares through Nebula SC, will be reduced to 300,600,000 shares, representing approximately 38.22% of the total issued shares of the Company. Mr. Zhai Shuchun and Nebula SC will continue to be the controlling shareholders of the Company. Details of the transaction are set out in the Company's announcement dated 17 January 2023.

(b) On 22 February 2023, Beijing Newlink entered into a strategic cooperation framework agreement for a period of one year with CP Culture Development Co., Ltd. (正大文化發展有限公司) pursuant to which the parties shall jointly establish multi-dimensional and in-depth cooperation to facilitate the application of big data analytics and AI technologies in cultural and arts industry by giving full play to their respective advantages in the industry and technology in the fields of cooperation based on the principles of "voluntariness, equality, mutual benefits and inclusiveness". Details of the transaction are set out in the Company's announcement dated 22 February 2023.

Save as disclosed above and elsewhere in these consolidated financial statements, the Group had no material events occurred subsequent to 31 December 2022 and up to the date of approval of these consolidated financial statements.

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Investment in a subsidiary	–*	–*
Equity investment at fair value through profit or loss	7,300	–
	7,300	–
Current assets		
Prepayments, deposits and other receivables	1,275	1,783
Amounts due from subsidiaries	514,514	302,357
Restricted bank deposits	–	24,522
Bank balances and cash	233,197	354,773
	748,986	683,435
Current liabilities		
Other payables and accruals	2,287	781
Amounts due to subsidiaries	10,436	9,456
	12,723	10,237
Net Current Assets	736,262	673,198
Net Assets	743,563	673,198
Capital and reserves		
Share capital	5	5
Reserves	743,558	673,193
Total equity	743,563	673,198

* Less than RMB1,000.

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Zhai Shuchun	Qin Yi
Director	*Director*