NEWLINK TECHNOLOGY INC.
新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9600

2023
ANNUAL REPORT

*For identification purpose only

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DEFINITIONS

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

"2024 AGM"	the AGM to be held in June 2024
"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 of the Company
"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 C1 to the Listing Rules
"Mainland China"	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 "Listed Company"	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
"Global Offering"	the Hong Kong public offering and the international offering of Shares in connection with the IPO
"Group" or "we"	the Company and its subsidiaries

DEFINITIONS

"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 C3 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
"Reporting Period" or "Current Year"	the year ended 31 December 2023

DEFINITIONS

"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
Ms. YANG Juan
Mr. YOU Linfeng

COMPANY SECRETARY

Ms. ZHANG Xiushi

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. ZHAI Shuchun
Ms. ZHANG Xiushi

AUDIT COMMITTEE

Mr. YOU Linfeng *(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

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2910, Bank of America Tower,
12 Harcourt Road
Central
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 2023

Timeline	Events
January	Beijing Newlink was rated as the "Beijing Grade-AAA Credit Enterprise（北京市信用AAA級企業）"
April	Beijing Newlink was officially designated as the deputy chief editor of the "Standards for Medical Quality Information Development（醫療質量信息化建設標準）" (T/NAHIEM66-2022)
May	"NewLink RPA Robotics Process Automation Application Platform（NewLink RPA機器人流程自動化應用平台）" of the Company was granted the Excellence Award at the Beijing – Hong Kong Science and Technology International Innovation Forum of Zhongguancun Forum 2023 and the Sixth "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition（2023中關村論壇京港科技國際創新論壇暨第六屆"京港青創杯"北京選拔賽優秀獎）
	Beijing Newlink was certified as a "Zhongguancun High-tech Enterprise（中關村高新技術企業）" by Zhongguancun Science Park Management Committee（中關村科技園區管理委員會）
June	Beijing Newlink received the title of "Vice President Unit（副會長單位）" issued by the Branch of Hospital Quality Management and Information Technology Development of the National Association of Health Industry and Enterprise Management（全國衛生產業企業管理協會）
	The "Customer Value Growth Platform（客戶價值成長平台）" developed by Beijing Newlink received the "Digital Finance Innovation Pioneer Rankings of 2023 – Digital Marketing Silver Award (2023數字金融創新先鋒榜 – 數字營銷銀獎）" in the Sixth Digital Finance Innovation Competition 2023（第六屆(2023)數字金融創新大賽）
	"NewLink RPA – Trust Project Submission Management Process Automation (NewLink RPA – 信託項目報送管理流程自動化）" of the Company was honored with the "Third China RPA + AI Developer Competition – 2023 Process Value Award（第三屆中國RPA+AI開發者大賽 – 2023流程價值獎）" in the Third China RPA + AI Developer Competition（第三屆中國RPA+AI開發者大賽）
	Newlink Technology won the "2023 Digital Innovation Leadership Award (2023數字化創新引領獎）" in the 12th Finance Summit（第十二屆財經峰會）, and Mr. Zhai, the CEO, executive Director and chairman of the Board of the Company was honored as the "Digital Transformation Drivers of 2023（2023數字化轉型推動力人物）"
August	Beijing Newlink has established Shanghai Newlink Yitai Technology Co., Ltd.（上海新紐益泰科技有限公司）as its wholly-owned subsidiary in the Shanghai Free Trade Zone, making full use of various policies and regional advantages of the Shanghai Free Trade Zone to realize the Company's development strategy

MILESTONES IN 2023

Timeline	Events
September	Beijing Newlink's independently developed project for industrial supply chain finance was awarded the "Industrial Supply Chain Finance Excellence Award (產業供應鏈金融賽道優秀獎)" in the first Digital Intelligence Financial Innovation Competition – Industrial Supply Chain Finance (Final Round) (數智金融創新大賽 – 產業供應鏈金融決賽)
November	Newlink Technology was awarded the "Annual Industry Influence Award 2023 (2023年度行業影響力獎)" in the Capital Power Awards Selection 2023 (資本力量2023年度評選) with the theme of "Following the Light, Going Far (逐光而行，行將致遠)" organized by www.STOCKSTAR.com
	Newlink Technology was awarded the "Honour Awards – Outstanding Responsible Enterprise for 2023 (奧納獎 – 2023年度責任優秀企業)" in the "Honour Awards (奧納獎) at the 2023 (6th) Social Responsibility Conference (2023 (第六屆) 社會責任大會)
	Newlink Technology presented its innovative technological solutions and products at the Hong Kong FinTech Week and attracted much attention
December	The relevant medical quality management project case of Newlink Technology was listed in the "Speech and Semantics – Typical Cases of Medical Artificial Intelligence Practice in China (語音語義類 – 中國醫療人工智能實踐典型案例)" of the Typical Cases of Medical Artificial Intelligence Practice in China in 2023 (《2023年度中國醫療人工智能實踐典型案例》)
	Beijing Newlink was recognized as the "Software Enterprise in Beijing with Core Competitiveness (Technology Research and Development) 2023 (2023北京軟件核心競爭力企業(技術研發型))" of the Evaluation Report on Software Enterprises in Beijing with Core Competitiveness 2023 (《2023北京軟件企業核心競爭力評價報告》)
	Beijing Newlink was recognized as the "Leading Enterprise for Innovative Credit in Beijing in 2023 (2023年度北京市企業創新信用領跑企業)"

FINANCIAL SUMMARY

	For the Year Ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**245,495**	260,554	205,752	176,147	148,970
Gross profit	**37,091**	70,459	74,598	92,402	73,158
(Loss)/profit before tax	**(70,971)**	20,795	17,015	40,284	38,235
Income tax credit/(expense)	**1,287**	(3,356)	(3,968)	(8,255)	(5,122)
(Loss)/profit for the year	**(69,684)**	17,439	13,047	32,029	33,113
(Loss)/profit attributable to:					
Owners of the parent	**(69,159)**	17,488	13,047	32,029	33,106
Non-controlling interests	**(525)**	(49)	–[1]	–[1]	7

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**947,685**	991,204	873,338	258,480	245,118
Total liabilities	**158,781**	108,593	34,067	59,107	58,221
Equity attributable to owners of the parent company	**786,971**	880,153	837,764	197,866	185,390
Non-controlling interests	**1,933**	2,458	1,507	1,507	1,507
Total equity	**788,904**	882,611	839,271	199,373	186,897

Note:

1. Less than RMB1,000.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year of 2023 marked a year for China's economic recovery and development after a transition from a three-year period of COVID-19 prevention and control. The Chinese government has intensified macroeconomic regulation, focusing on expanding domestic demand, optimizing the economic structure, boosting confidence and preventing and resolving risks, with a smooth transition in the COVID-19 prevention and control. China's economy grew in a wave-like fashion amid twists and turns, and entering a critical period towards stable growth. Although the impact of the Covid-19 pandemic on the global economy had gradually diminished, and global industrial chains and supply chains had gradually returned to normal, world economic growth registered a further slowdown, as affected by a series of long-term uncertainties such as global inflation, geopolitical instability and energy crises. Amid the complex macro environment and ever evolving industry development, Newlink Technology is experiencing the throes of transformation in terms of R&D, operations and development, and is exposed to many challenges. That being said, upholding the spirit of forging ahead in unity and with determination, we remain committed to achieving self-transcendence in the application of innovative technology, and make consistent efforts to promote the digital and intelligent transformation.

In 2023, although we failed to achieve sustained profitability, the Group recorded a net operating cash inflow of RMB18.7 million during the year, representing an increase of 33.6% from RMB14.0 million in 2022. While ensuring a stable and healthy transition through this challenging period, we steadfastly sought progress from past accumulations and strived to contribute to future healthy growth. In 2023, the Group's stable customer base covered several renowned brand customers in industries covering finance, healthcare, transportation, electric power, telecommunications, etc., including 10 Fortune Global 500 clients and 17 China's top 500 clients. By continuously optimizing our customer structure, the Group have become experienced in serving top-tier institutions and leading enterprises. Meanwhile, we will further improve the turnover efficiency of account receivables in a relatively challenging macro environment, to ensure the Group's stable and healthy operations on a going concern basis and achieve a turnaround to profitability as soon as practical.

The Company has always regarded innovation and research and development as its foundation, and continues to focus on the application of innovative technologies such as artificial intelligence and big data analysis in various fields, in efforts to delve into customer needs, refine more effective and comprehensive solutions. In 2023, several innovative products of Newlink Technology had won awards in industry competitions. For instance, "NewLink RPA Robotics Process Automation Application Platform" (NewLink RPA機器人流程自動化應用平台) was granted the Excellence Award at the Beijing – Hong Kong Science and Technology International Innovation Forum of Zhongguancun Forum 2023 and the Sixth "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition (2023中關村論壇京港科技國際創新論壇暨第六屆"京港青創杯"北京選拔賽優秀獎); the "Customer Value Growth Platform" (客戶價值成長平台), which was recently launched by the Group, received the "Digital Finance Innovation Pioneer Rankings of 2023 – Digital Marketing Silver Award" (2023數字金融創新先鋒榜–數字營銷銀獎) in the Sixth Digital Finance Innovation Competition 2023 (第六屆(2023)數字金融創新大賽); "NewLink RPA – Trust Project Submission Management Process Automation" (NewLink RPA–信託項目報送管理流程自動化) was honored with the "Third China RPA + AI Developer Competition – 2023 Process Value Award" (第三屆中國RPA+AI開發者大賽–2023流程價值獎) in the Third China RPA + AI Developer Competition (第三屆中國RPA+AI開發者大賽); and projects independently developed for industrial supply chain finance won the "Industrial Supply Chain Track Excellence Award in Finance" in the first Digital and Intelligent Finance Innovation Competition-Industrial Supply Chain Finance Finals (首屆數智金融創新大賽-產業供應鏈金融決賽).

CHAIRMAN'S STATEMENT

At the same time, the Company continues to expand its presence in regional markets. Following the establishment of a R&D center in Chengdu and a regional headquarters in Southwest China, the Group further set up an operation center in Hong Kong and showcased representative innovative IT solutions and products on the Hong Kong Fintech Week, attracting widespread attention from industry insiders and clients in the financial sector. As of the end of 2023, the Group's IT solution services business has been extended from Mainland China to Hong Kong and Macau SAR, and thereby successfully initiated a strategic expansion anchored in the Greater Bay Area and the Southeast Asia regional markets with its basis in the Hong Kong SAR.

Underpinned by improved business, the Company attaches great importance to the sustained performance of corporate social responsibilities and actively participates in relevant industry associations and initiatives related to environmental, social and governance aspects. The Company and its subsidiaries had successively been recognized by the Hospital Quality Management and Information Technology Development Branch of the National Association of Health Industry Enterprise Management (全國衛生產業企業管理協會醫院質量管理與信息化建設分會), earning the titles of the "Vice President Unit" (「副會長單位」) and "Deputy Editor Unit of the Medical Quality Information Development Standard T/NAHIEM66-2022" (「《醫療質量信息化建設標準》T/NAHIEM66-2022副主編單位」), and were honoured with the "Honour Award –2023 Outstanding Responsible Enterprise "（奧納獎-2023年度責任優秀企業）at the 2023 (sixth) Social Responsibility Conference (2023（第六屆）社會責任大會).

In 2024, Newlink Technology will seize the opportunities presented by the digitalization and intelligent transformation of Chinese enterprises, maintaining a development momentum featuring steady progress and improved quality. We will unswervingly delve into customer needs, and continuously focus on technological innovations, refining more comprehensive solutions and products by investing in research and development of innovative technologies such as artificial intelligence and big data analytics for applications across various industry sectors. We will continue to strengthen the pace of coordinated development among our subsidiaries, and integrate internal and external resources to give full play to their complementary advantages. Building upon the deepening and realization of differentiated advantages and market competitiveness of flagship products, effectively converting and promoting them among different customer groups, we will strive to expand business reach, enrich product offerings, cultivate a market ecosystem related to technological innovations, enhance penetration in regional markets and advance the steady expansion of strategic deployment across the country, thus further realising the application of our solutions and products in a broader range of regional markets and industries. We will continue to optimize our process, motivate the organization and teams, attract talents, improve capabilities, effectively manage risks, cultivate and manage the talent team featuring goals-guided. A solid foundation can be laid for the future development of the Group only through our proactive dedications, diligent performance of duties at appropriate positions, and making outstanding contributions. We will focus on the dual requirements of "technological research and development innovation" and "business model innovation," actively shoulder social responsibilities, enhance customer experience, and propel each division and subsidiary to a new level towards the goal of high-quality development. We will unite to overcome challenges, strive for brilliance through hard work, pursue excellence amidst tumultuous times, continuously accumulate development strength, and endeavor to improve business performance.

ZHAI Shuchun
Chairman and Chief Executive Officer

28 March 2024

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）	58	Executive Director, Chairman and CEO	8 November 2019
Ms. QIN Yi（秦禕）	46	Executive Director and deputy general manager	30 December 2019
Mr. LI Xiaodong（李小東）	36	Executive Director and deputy general manager	30 December 2019
Independent Non-executive Directors			
Mr. TANG Baoqi（唐保祺）	64	Independent Non-executive Director	5 December 2020
Ms. YANG Juan（楊鵑）	61	Independent Non-executive Director	30 November 2021
Mr. YOU Linfeng（游林峰）	46	Independent Non-executive Director	4 December 2023

Executive Directors

Mr. ZHAI Shuchun（翟曙春）, aged 58, is our executive Director, the chairman of the Board and CEO, 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 CEO and chairman of the Board in December 2019. Mr. Zhai has over 28 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 chairman of the board of directors and general manager 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 46, 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 13 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 36, 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 13 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 64, 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 33 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

Ms. YANG Juan (楊鵑), aged 61, 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 32 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.

Mr. YOU Linfeng (游林峰), aged 46, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. You has more than 23 years of experience in the field of accounting and audit. From July 2001 to May 2005, he has served as an auditor assistant at Huazheng Certified Public Accountants* (華証會計師事務所) and Beijing Pan-China Certified Public Accountants* (北京天健會計師事務所). From June 2005 to December 2012, he worked for Deloitte Touche Tohmatsu CPA and lastly as a senior manager. From December 2012 to June 2020, he has served as a vice general manager of the Inspection & Audit Department at Zhongrong International Trust Co. Ltd. Since December 2020, he has been serving as a salaried partner at BDO China Shu Lun Pan Certified Public Accountants LLP. Mr. You graduated from Beijing University of Chemical Technology (北京化工大學) in 2001 with a bachelor's degree in accounting, obtained the qualification of certified internal auditor conferred by The institute of Internal Auditors and is a certified public accountant in the People's Republic of China.

SENIOR MANAGEMENT

Mr. ZHAI Shuchun (翟曙春), aged 58, is our executive Director, the chairman of the Board and CEO. 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 46, 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 36, 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 39, is the deputy general manager and company secretary of our Company, being responsible for secretarial and investor relation management matters of our Company. Ms. Zhang joined our Group in July 2019 as the board secretary of Beijing Newlink, and was appointed as a director of Beijing Newlink in December 2019 and as a joint company secretary of our Company in February 2020, and was appointed as the deputy general manager of the Company in February 2023, and has acted as the sole company secretary of the Company since 30 March 2024. Prior to joining the Group, 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 32, 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 56, is the deputy general manager of the Company. He is responsible for the daily operation and management of Neusoft Yuetong. Mr. Tian joined the Group in July 2022 as the general manager of Neusoft Yuetong, and was appointed as the deputy general manager of the Company in February 2023. Mr. Tian has served as the general manager of Neusoft Yuetong 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 (中國人民解放軍運輸工程學院) in July 1991.

Mr. PAN Zehua (潘澤華), aged 49, 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 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 (上海鐵道大學) 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 47, 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 and was appointed as the deputy general manager of Beijing Newlink 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. MAO Qilong (毛啟龍), aged 39, 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 15 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.

COMPANY SECRETARY

Ms. ZHANG Xiushi (張琇石), is the deputy general manager and company secretary of our Company, being responsible for secretarial and investor relation management matters of our Company. Her biographical details are set out in the section headed "Directors and Senior Management – Senior Management" of this annual report.

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 concentrates on the application of advanced technology innovations such as artificial intelligence and big data analysis, in various fields, and continuously provides high value-added IT solution services to customers in specific industries including finance, healthcare, transportation and logistics as well as general industries.

The Group remains committed to research and development of new products and new technologies and their application innovations, and has been promoting the integration of products and services. By doing so, the Group aims to provide customers in various industries with scenario-based comprehensive solutions that can satisfy needs of customers and enhance their competitiveness in their industries on the basis of 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, thus maintaining and improving competitiveness of our products and services in specific industries such as finance, healthcare and transportation.

Business Review

The year 2023 was crucial for China to progress its economic recovery and transformation and upgrading after the COVID-19 amid the evolving and complex international landscape and frequent geopolitical conflicts. Amid the complex macro environment and ever evolving industry development, Newlink Technology is experiencing the throes of transformation in terms of R&D, operations and development, and is exposed to many challenges. In 2023, the Group recorded a revenue of RMB245.5 million, which was mainly derived from the IT solution services business, representing a slight decrease of 5.8% as compared with RMB260.6 million in 2022. The decrease in revenue was mainly due to the significant decrease in revenue from technical and maintenance services and sales of standard software. Categorized by types of goods or services provided, the Group's revenue from software development services amounted to RMB179.5 million in 2023, representing a year-on-year increase of 7.4% and accounting for 73.1% of the total revenue. Revenues from technical and maintenance services and sales of standard software were RMB37.6 million and RMB28.4 million, respectively, representing a year-on-year decrease of 25.7% and 33.5%, respectively.

In 2023, the Group's gross profit decreased significantly by 47.4% to RMB37.1 million from RMB70.5 million in 2022, and the gross profit margin decreased to 15.1% from 27.1% in 2022. The decrease in gross profit was mainly due to the slight year-on-year decrease in the Group's revenue in 2023 and the increase in cost of sales by 9.6% year-on-year to RMB208.4 million. The decrease in gross profit margin was mainly due to the combined effect of the significant year-on-year decrease in the number of technical personnel responsible for project implementation in 2023, resulting in an increase in the cost of sharing public expenses per capita and the payment of more severance compensation. In 2023, the loss for the period attributable to owners of the Group was RMB69.2 million, bringing the continuous profitability for prior years to an end. On top of decrease in gross profit, the loss for the period attributable to owners was attributable to the (1) significant increase in R&D expenses due to the increase in the amortization amount of deferred development costs after continuous investment in R&D in prior years and formation of intangible assets, (2) the increase in expected credit losses as a result of the increase in the balance of accounts receivable for more than two years.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Group stood firm against the operating pressure and achieved a net operating cash inflow of RMB18.7 million, representing an increase of 33.6% as compared to RMB14.0 million in 2022. While ensuring a smooth and healthy transition through this challenging period, we steadfastly sought for progress based on our experience so as to lay foundation for future robust growth. In terms of cooperation with customers, the Group, on the one hand, actively explored the potential of existing customers, and on the other hand, continuously explored high-quality new customers. The Group attaches great importance to the reputation and word-of-mouth of our customers, and through long-term development and cooperation, we have retained a number of reputable and high-quality customers. The revenue brought by listed public companies, Chinese state-owned enterprises, and institutional clients accounted for 96.8% of our total revenue for 2023. Our high-quality and stable customer base covers many well-known brand customers in industries such as finance, healthcare, transportation, electric power, telecommunications, etc., including 10 Fortune Global 500 clients and 17 China's top 500 clients. By continuously optimizing our customer structure, we have become experienced in serving top-tier institutions and leading enterprises. We are also expected to further improve the turnover efficiency of our account receivables in a more challenging macro-environment, which will help the Group to maintain steady and healthy operations on a going concern basis and achieve a turnaround to profitability as soon as possible.

In 2023, the Group continues to expand its presence in regional markets. Following the establishment of a R&D center in Chengdu and a regional headquarters in Southwest China, the Group further set up an operation center in Hong Kong. At the Hong Kong FinTech Week 2023, our representative and innovative IT solutions and products received extensive attention from the industry insiders and clients in the financial sector. As of the end of 2023, the Group's IT solution services business has been extended from Mainland China to Hong Kong and Macau SAR, successfully initiating a strategic expansion anchored in the Great Bay Area and Southeast Asia regional markets with its basis in the Hong Kong SAR.

Outlook

In 2024, the Group will unswervingly work to delve into customer needs, and focus on technological innovations, refining more comprehensive solutions and products by investing in research and development of innovative technologies such as artificial intelligence and big data analytics for applications across various industry sectors. In 2024, the Group will continue to strengthen the pace of coordinated development among our subsidiaries, and integrate internal and external resources to give full play to their complementary advantages. By deepening and realizing the differentiation advantages of flagship products and enhancing market competitiveness to effectively convert and promote across different customer bases, we will strive to expand business reach, enrich product offerings, cultivate a market ecosystem related to technological innovations, enhance penetration in regional markets and advance the steady expansion of strategic deployment across the country, thus further realising the application of our solutions and products in a broader range of regional markets and industries. In 2024, the Group will continue to optimize processes, motivate the organization and teams, attract talents, improve capabilities, effectively manage risks, cultivate and manage the talent team featuring goals-guided. A solid foundation can be laid for the future development of the Group only through our proactive dedications, diligent performance of duties at appropriate positions, and making outstanding contributions. In 2024, the Group will focus on the dual requirements of "technological research and development innovation" and "business model innovation", actively shoulder social responsibilities, enhance customer experience, and propel each division and subsidiary to a new level towards the goal of high-quality development. In 2024, the Group will firmly seek for progress based on our experience, and endeavor to propel the healthy growth in the future. We will unite to overcome challenges, strive for brilliance through hard work, and pursue excellence amidst tumultuous times, always aiming to reach greater heights.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group mainly derived 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 of 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 not only provided tailored services to customers in specific fields such as finance, medical care, transportation and logistics based on customer needs, but also sold standard products and services to customers; while its traditional solutions were mainly used in the fields like finance and transportation.

In 2023, the Group recorded a revenue of RMB245.5 million, which was mainly contributed by the IT solution service business, representing a decrease of 5.8% from RMB260.6 million in 2022. The decrease in the Group's revenue in 2023 was mainly due to the significant decline in revenue from technical and maintenance services and revenue from sales of standard software.

The following analysis sets forth a breakdown of our revenue for the year of 2023 and 2022, respectively [Note].

Software development services

Our revenue from software development services increased by 7.4% from RMB167.2 million in 2022 to RMB179.5 million in 2023. Among the revenue from software development services, revenue from innovative solutions amounted to RMB45.5 million, accounting for 25.3% 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, knowledge graph and deep learning, which were sold to financial institutions, medical institutions, and large-scale state-owned and privately-owned transportation and logistics enterprises, etc.

Technical and maintenance services

Our revenue from technical and maintenance services in 2023 amounted to RMB37.6 million, representing a decrease of 25.7% from RMB50.6 million in 2022.

Note: In 2023, the Group maintained its revenue classification method adopted in 2022, 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 decreased by 33.5% from RMB42.7 million in 2022 to RMB28.4 million in 2023. Among the revenue from sales of standard software, revenue from its innovative solutions amounted to RMB14.4 million, accounting for 50.7% 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 9.6% from RMB190.1 million in 2022 to RMB208.4 million in 2023, mainly due to more costs incurred by the acquired subsidiary, Neusoft Yuetong.

Gross profit and gross profit margin

Our gross profit decreased by 47.4% from RMB70.5 million in 2022 to RMB37.1 million in 2023. Our gross profit margin decreased from 27.1% in 2022 to 15.1% in 2023. The decrease in gross profit was mainly due to the slight year-on-year decline in the Group's revenue in 2023, and a year-on-year increase in the cost of sales of 9.6% to RMB208.4 million. The decline in gross profit margin was mainly due to the combined effect of factors such as an increase in the cost of sharing public expenses per capita and increased payment of severance compensation, as a result of a significant year-on-year decrease in the number of technical personnel responsible for project implementation in 2023.

Other income and gains

In 2023, the Group's other income and gains were RMB10.6 million, representing a decrease of 0.9% as compared with 2022, which was mainly due to the increase in bank interest income, value-added tax rebates and other tax subsidies.

Liquidity, financial and capital resources

In 2023, the Group's total available cash balance (the sum of bank balances, cash, and time deposits) was RMB330.5 million.

During the Reporting Period, the Group recorded a net operating cash inflow of approximately RMB18.7 million, as compared with RMB14.0 million in 2022. The increase in net cash inflow of the Group during the Reporting Period was mainly due to the increase in cash received from accelerated repayment. The Group maintains sufficient liquidity to meet daily liquidity management and expenditure needs, and controls internal operating cash flows.

Our bank borrowings as of 31 December 2023 amounted to RMB8.01 million, of which RMB6.08 million, RMB1.78 million and RMB0.15 million maturing on 27 December 2024, with fixed interest rate of 3.85% 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 RMB689.9 million as of 31 December 2022 to approximately RMB582.7 million as of 31 December 2023, which was mainly due to the decrease in balance of cash and cash equivalents and the increase in balance of trade payables.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2023, the Group recorded an increase in fair value gain on equity investments at fair value through profit or loss of a total of RMB3.2 million, which was mainly due to gains on change in fair value of the 19.6% equity interest held in Beijing Fuhuajiaxin Business Incubator Company Limited* (北京富華佳信企業孵化器有限公司).

In 2023, the Group recorded an increase in fair value gain on financial assets held for sale at fair value through profit or loss of a total of RMB1.1 million, which was mainly due to gains on change in fair value of the 1% equity interest held in Advanced Biomed Inc.

Fair value loss on investment property at fair value through profit or loss

In 2023, the Group recorded a fair value loss on investment property at fair value through profit or loss of a total of RMB0.02 million, which was mainly due to loss on change in fair value of the office premises in Chengdu.

Change in fair value of contingent consideration

In 2023, the Group recorded change in fair value of contingent consideration of a total of RMB0.8 million in relation to the acquisition of the subsidiary, Neusoft Yuetong.

Selling and distribution expenses

Our selling and distribution expenses increased as compared with 2022, increasing by 16.7% from RMB12.0 million in 2022 to RMB14.0 million in 2023. The increase in selling and distribution expenses was mainly due to the additional selling and distribution expenses incurred by the acquired subsidiary, Neusoft Yuetong and increased payment of staff severance compensation.

Administrative expenses

In 2023, our administrative expenses increased as compared with 2022, increasing by 28.6% from RMB28.7 million in 2022 to RMB36.9 million in 2023. The increase in administrative expenses was mainly due to the additional administrative expenses incurred by the acquired subsidiary, Neusoft Yuetong and increased payment of staff severance compensation.

Research and development expenses

In 2023, our research and development expenses amounted to RMB42.3 million, representing an increase of 121.5% as compared with RMB19.1 million in 2022, primarily due to a spike in R&D expenses resulting from the increase in amortization amount of the Group's deferred development costs and the additional amortization of the identifiable intangible assets portion of the consideration paid for the acquisition of the subsidiary, Neusoft Yuetong.

In 2023, the research and development investment of the Group was mainly made in software and hardware equipment required for 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 2023, the Group had a total of 204 items of software copyrights, including 20 items of software copyrights newly formed by developing or upgrading innovative solutions in 2023, accounting for 69.0% of the total 29 items of software copyrights newly developed in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

In 2023, our other expenses amounted to RMB1.3 million.

Impairment losses under expected credit loss model, net of reversal

The impairment losses under expected credit loss model, net of reversal of RMB 25.7 million during the year was mainly due to the increase in expected credit losses on trade receivables balances for more than two years and increase in the expected credit loss rate.

Impairment loss on investment in an associate

Impairment loss on investment in an associate during the year was RMB2.3 million, which was attributable to the impairment of the investment in Beijing Heshun Huikang Technology Co., Ltd.*(北京和順慧康科技有限公司), an associate in which Neusoft Yuetong invested.

Finance costs

In 2023, our finance costs remained relatively stable as compared with 2022, slightly increasing from RMB1.28 million in 2022 to RMB1.32 million.

Loss before tax

As a result of the foregoing, we recorded loss before tax of RMB71.0 million in 2023, as compared to the profit before tax of RMB20.8 million in 2022.

Income tax credit/(expense)

We recorded income tax credit of RMB1.3 million in 2023 as compared to income tax expense of RMB3.4 million in 2022, mainly due to the record of loss in 2023.

Loss for the year

Due to the above reasons, we recorded a loss for the year of RMB69.7 million in 2023, as compared to a profit for the year of RMB17.4 million in 2022.

Exposure to exchange rate fluctuation

During the year ended 31 December 2023, the functional currency of companies operating in the PRC is Renminbi. Most of the Group's monetary assets were mainly denominated in US dollars and Renminbi. We manage foreign exchange risk by performing periodic reviews of our net foreign exchange exposures and try to minimise these exposures through natural hedges. We operate mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities.

Commitments

The Group has various contracted, but not provided short-term lease commitments as at the end of 31 December 2023 (2022: future lease payments of RMB0.5 million for such non-cancellable lease contracts). The future lease payments for these non-cancellable lease contracts are RMB0.7 million and due within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As of 31 December 2023, 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 2023, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

In 2023, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Performance Guarantee

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 in the table below. 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 non-recurring gains and losses in the consolidated audited statements of the target group (the Target Company and its subsidiaries) audited and confirmed by a qualified accounting firm, whichever is lower.

As disclosed in the Company's 2022 annual report, for the year ended 31 December 2022, the Target Company recorded a revenue from principal business of RMB63,528,000 and an actual net loss of RMB5,052,379.81 based on which the performance guarantee sellers did not fulfill the performance guarantee for the year 2022.

For the year ended 31 December 2023, the Target Company recorded a revenue from principal business of RMB73,425,980.09 and the Target Company recorded a after tax net profit attributable to shareholders of the parent company before and after deducting non-recurring gains and losses of RMB4,988,128.51 and RMB4,645,596.76, respectively, based on which the performance guarantee sellers fulfilled the performance guarantee for the year 2023. The Company will closely monitor the Target Company's performance guarantee in 2024. Upon the expiry of the performance guarantee period, the performance compensation amount (if any) shall be calculated based on the calculation formula as agreed under the performance guarantee arrangement and be paid by the performance guarantee sellers to Newlink Technology (Beijing).

For details, please refer to the announcements of the Company dated 20 June 2022 and 28 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

(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

Significant investments

In 2023, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on Group's assets

As of 31 December 2023, we had no charges on our assets.

Customer credit risk

Our business operations are subject to the risk of payment deferrals and/or defaults by our customers. For our software development services, most of our contracts provide for periodic installments from our customers based on project milestones, such as delivery, installation and testing of our solutions. However, we incur costs associated with a project, primarily including staff costs relating to project execution and software development, electronic equipment and certain project implementation expenses, on an ongoing basis from the beginning. As a result, we are required to make prepayments for certain project costs and expenses before receiving sufficient payments from our customers.

During the track record period, we typically granted our customers a credit period depending on contract terms and our evaluation of customer's creditworthiness. In determining the actual length of credit terms granted to a specific customer, we consider various factors such as reputation, length of business relationship and past payment records. As of 31 December 2023, our trade receivables amounted to RMB261.9 million and we recorded impairment loss on trade receivables of RMB43.3 million. We are thus exposed to the risk that customers may delay or even be unable to pay when milestones are reached or upon completion of contracts. These may put our cash flow and working capital under pressure.

1. ***The subsequent settlement is set out below in relation to the trade receivables as at 31 December 2023:***

RMB'000	Gross amount	Subsequent settlement
Within 180 days	52,566	21,058
181 days to 1 year	33,853	987
1 to 2 years	81,570	12,258
2 to 3 years	67,259	9
Over 3 years	26,618	14
Total	261,866	34,326

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Recoverability of long aged receivables and reasons why the loss allowances were adequate:*

(1) Customers with strong creditworthiness

Our trade receivable balance as of 31 December 2023 was mainly from large customers with good reputation and strong creditworthiness, the majority of which were Chinese state-owned enterprises and listed public companies, including top-tier banks, trust companies, asset management companies, Class III Grade A hospitals, railway bureaus, locomotive depots, railway information technology companies, railway bureau groups, airlines, aviation food companies, aviation materials companies, etc. Such customers are in good standing and have strong creditworthiness and bargaining power, and have stringent and extensive internal payment and settlement processes, which often require time-consuming internal approval processes before payments were made, resulting in further extension of their payment cycles. As of 31 December 2023, 87.3% of the trade receivable balance was recorded from Chinese state-owned enterprises and listed public companies.

In addition, the balance of trade receivables over 180 days as of 31 December 2023 was mainly recorded from Chinese state-owned enterprises and listed public companies with which the Group had longstanding cooperation, and there has been no recoverability issue in relation to trade receivables in previous years and both parties have maintained a good cooperation relationship.

(2) The balance of trade receivables over 180 days remains in a trend of continuous collection of receivables

As of 31 December 2023, the balance of trade receivables over 1 year amounted to RMB175.4 million, recorded from a total of 131 customers, among which 131 customers are still performing contracts with the Group so far, and the Group has continued to collect receivables since 31 December 2023.

(3) The business model and customer base of the Group remain unchanged as disclosed before

In relation to trade receivables, as disclosed in the prospectus of the Company dated 21 December 2020, the previous, current and future business model and the customer base of the Group have remained and are expected to remain substantially unchanged.

We consider that we have entered into normal business arrangements with these customers and have not identified any issues of the recoverability of trade receivables or insufficient provision for impairment to date.

MANAGEMENT DISCUSSION AND ANALYSIS

3. ***Actions taken or to be taken to recover such long-outstanding receivables***

The Group has continued to (1) increase sales revenue from customers with short payment cycle and gradually reduce sales to customers with long payment cycle to achieve substantial improvements against the long payment cycle of trade receivables; (2) maintain strict control over its outstanding trade receivables and have a credit control department to minimise the credit risk. The Group has strictly followed its credit management policy and will continue to follow the steps and measures stipulated in the credit management policy to manage the trade receivables and maintain the working capital. As required by the credit management policy of the Group, the Group has instructed designated sales personnel to follow up directly with their responsible customers, and the sales and marketing staff of the Group make collection calls to customers whose bills have been overdue for less than 90 days; for customers whose bills have been overdue within 90 to 360 days, the sales and marketing staff escalate the matter to the business department and both the sales and marketing staff and the business department make collection calls to the customers; and for customers whose bills have been overdue for more than 360 days, the Group assigns the sales and marketing staff to visit the customers for face-to-face communication, and the sales and marketing staff and business departments continuously to follow up and make collection calls to customers. To manage the trade receivables, the Group has also strengthened the cooperation between the technical team and the sales and marketing team to conduct more efficient collection, and taken into account the collection speed in the performance assessment of the employees. In addition, the Group will continue to issue periodic written payment reminders to the customers. Overdue balances are also regularly reviewed by the senior management; and (3) regularly make enquiries on customers' ratings and make an analysis of the background, reputation, market position and the operating conditions of customers based on publicly available information.

Key financial and business performance indicators

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

Our return on equity decreased from 2.0% for 2022 to -8.8% for 2023, primarily due to the Group record a loss.

Our gearing ratio decreased from 2.2% as of 31 December 2022 to 1.0% as of 31 December 2023, primarily due to the decrease in bank borrowings. The calculation of gearing ratio is based on total borrowings divided by total equity as of the end of the year 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 2023.

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 annual report, the Group has complied with the CG Code throughout the year ended 31 December 2023. The Company will periodically review 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 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 2023.

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.

CORPORATE GOVERNANCE REPORT

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 discharging them.

Board Composition

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

Executive Directors

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

Independent Non-executive Directors

Mr. TANG Baoqi
Ms. YANG Juan
Mr. YOU Linfeng (appointed on 4 December 2023)
Mr. YE Jinfu (resigned on 4 December 2023)

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.

CORPORATE GOVERNANCE REPORT

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 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 2023, please refer to the section headed "Directors' Attendance Records of Meetings of Board and Board Committees" 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.

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**	**General Meeting**
Mr. ZHAI Shuchun	5/5	N/A	2/2	2/2	1/1
Ms. QIN Yi	5/5	N/A	N/A	N/A	1/1
Mr. LI Xiaodong	5/5	N/A	N/A	N/A	1/1
Mr. TANG Baoqi	5/5	2/2	2/2	2/2	1/1
Mr. YE Jinfu (note 1)	4/4	2/2	N/A	N/A	1/1
Ms. YANG Juan	5/5	2/2	2/2	2/2	1/1
Mr. YOU Linfeng (note 2)	1/1	N/A	N/A	N/A	N/A

Note 1: Mr. YE Jinfu resigned as an independent non-executive Director with effect from 4 December 2023.

Note 2: Mr. YOU Linfeng was appointed as an independent non-executive Director with effect from 4 December 2023.

CORPORATE GOVERNANCE REPORT

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 of the Company 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.

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 the independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors and the independent 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.

Article 16.2 of the Articles also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Such Director required to stand for re-election pursuant to Article 16.2 of the Articles shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation under Article 16.19 of the Articles.

CORPORATE GOVERNANCE REPORT

Mr. YOU Linfeng was appointed as an independent non-executive Director on 4 December 2023. Pursuant to Article 16.2 of the Articles, he shall retire at the 2024 AGM and be subject to re-election.

Pursuant to Article 16.19 of the Articles, there should be 2 Directors who shall retire from office by rotation and be eligible, offer themselves for re-election at the 2024 AGM. Mr. LI Xiaodong and Ms. YANG Juan will retire from office and, being eligible, offer themselves for re-election at the 2024 AGM. Details of the re-election are set out in the circular despatched to shareholders in a due course.

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 on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team.

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

CORPORATE GOVERNANCE REPORT

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 2023 is summarised as follows:

Name of Director	Training Attended (Note 1)
Mr. ZHAI Shuchun	√
Ms. QIN Yi	√
Mr. LI Xiaodong	√
Mr. TANG Baoqi	√
Mr. YE Jinfu (note 2)	√
Ms. YANG Juan	√
Mr. YOU Linfeng (note 3)	√

Notes:

1. All the Directors received training and training materials, including those from the Company's external legal adviser, 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. Mr. YE Jinfu resigned as an independent non-executive Director with effect from 4 December 2023.

3. Mr. YOU Linfeng was appointed as an independent non-executive Director with effect from 4 December 2023.

CORPORATE GOVERNANCE REPORT

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 C1 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. YOU Linfeng, Ms. YANG Juan and Mr. TANG Baoqi, with Mr. YOU Linfeng being the chairman of the committee.

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

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

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

(i) reviewed the Group's annual audited financial statements for the year ended 31 December 2022 and interim unaudited financial statements for six months ended 30 June 2023;

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

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

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. At the date of this annual report, the Remuneration Committee consists of three members, namely Ms. YANG Juan 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.

CORPORATE GOVERNANCE REPORT

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 two meetings for reviewing the remuneration of the Directors and senior management and the performance of them annually as well as considering the remuneration of new independent non-executive Directors.

Nomination Committee

The Company has established the Nomination Committee in compliance with the CG Code. At the date of this annual report, the Nomination Committee consists of three members, namely Mr. TANG Baoqi and Ms. YANG Juan 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 Directors and president, and assessing the independence of independent non-executive Directors.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee has held two meetings for reviewing the independence of the independent non-executive Directors, considering the qualifications, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service, of the retiring Directors standing for re-election at the 2023 AGM, reviewing the structure, size and composition of the Board, reviewing the board diversity policy (the "**Board Diversity Policy**"), and considering changes in independent non-executive Director and making recommendations to the Board on candidates for new independent non-executive Director.

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 2023.

Details of the remuneration by band of senior management of the Company, whose biographies are set out on pages 12 to 16 of this annual report, for the year ended 31 December 2023 are set out below:

Remuneration band (RMB)	Number of individuals For the Year Ended 31 December 2023	2022
0 – 500,000	**2**	3
500,001 – 1,000,000	**6**	1
1,000,001 – 1,500,000	**1**	1
	9	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 of 31 December 2023 and up to the date of this annual report, the proportion of female members on the Board is approximately 33%, and the Company has satisfied the requirements of gender diversity of the Board members. The Board aims to maintain at least the current number of female representation.

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 2023, the gender ratio of the Group's workforce was 70.9% male and 29.1% female, which is mainly due to the fact that there are more male practitioners in the IT industry as a result of the gender composition nature of this industry. The Company has implemented fair employment practices and recruitment is based on merit and without discrimination to ensure there is a pipeline of male and female potential successors to the Board and the senior management. 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.

During the Reporting Period, the Board reviewed the Company's corporate governance practices, 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 SFO and the Listing Rules. The Company 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 information without proper authorization. The Company ensures that inside information is handled and disseminated appropriately through its internal reporting procedures, along with consideration by senior management of the implications arising from such information.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, has reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. This annual review covered all material controls, including financial, operational and compliance controls. This 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 2023 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 Group's consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with timely updates on the Company's consolidated 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 Group 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 auditor, CCTH CPA Limited, in respect of audit services and non-audit services of interim review during the year were set out below:

	2023 RMB
Audit services	1,180,000
Non-audit services	350,000
Total	1,530,000

COMPANY SECRETARY

During the Reporting Period, Ms. ZHANG Xiushi and Ms. HO Wing Nga (HKFCG (PE), FCG) acted as the Company's joint company secretaries.

During the Reporting Period, 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 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.

CORPORATE GOVERNANCE REPORT

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.

Ms. HO Wing Nga has resigned from her position as a joint company secretary of the Company with effect from 30 March 2024. Following the resignation of Ms. HO Wing Nga, Ms. ZHANG Xiushi will act as the sole company secretary of the Company with effect from 30 March 2024. Since the listing of the Shares of the Company on the Stock Exchange on 6 January 2021, Ms. ZHANG Xiushi has performed her duty as a joint company secretary of the Company with the assistance of Ms. HO Wing Nga acting as the other joint company secretary of the Company. Ms. HO Wing Nga satisfies the requirements of Rules 3.28 and 8.17 of the Listing Rules. During the three-year period, Ms. ZHANG Xiushi has acquired a good understanding of the Listing Rules and the relevant experience within the meaning of Rule 3.28 of the Listing Rules and is capable of discharging the duties of the company secretary of the Company independently. The Stock Exchange has also confirmed that Ms. ZHANG Xiushi is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. For details, please refer to the announcement of the Company dated 28 March 2024.

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.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings by Shareholders

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

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

Putting Forward Enquiries to the Board

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

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 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

During the Reporting Period, the Company has not made any changes to its Articles of Association. The latest version of the Articles of Association is published on the websites of the Company and the Stock Exchange.

On 28 March 2024, the Board proposed to amend the existing memorandum and articles of association of the Company. For details, please refer to the section headed "Events after the Reporting Period" of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Report Content

This Environmental, Social and Governance ("ESG") Report (hereinafter referred to as "ESG Report" or the "Report") focuses on the disclosure of the work and practices of, and the significant progress made by, Newlink Technology in the area of ESG in 2023. The 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 the ESG Report includes the Company and its subsidiaries. The Report covers the period from 1 January 2023 to 31 December 2023.

Basis of Preparation

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited and the content of this ESG Report complies with the disclosure principles required by the ESG Reporting Guide and has complied with the mandatory disclosure requirements set out in the ESG Reporting Guide. The ESG Report complies with the "comply or explain" provisions of the ESG Reporting Guide and its content follows the four Reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Materiality: In compliance with the materiality principle of the Stock Exchange, the ESG Report has identified material ESG factors and disclosed the process to identify and the criteria for the selection of material ESG factors. The ESG issues identified by the Group and the communication channels and expectations of stakeholders have also been disclosed herein. The results of the materiality assessment have been adopted as the basis for the preparation of the Report and responded in a targeted manner in the Report based on the materiality of the issues.

Quantitative: The statistical criteria, methodologies, assumptions and/or calculation tools, and the source of conversion factors used, for emissions/energy consumption (where applicable) have been disclosed in the explanatory notes of the ESG Report. In addition, we have set quantitative environmental management targets.

Balance: The 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 the ESG Report are consistent with those of last year. Any changes will be clearly stated in the Report to ensure the comparability of data.

Approval of the ESG Report

The Board assumes full responsibility for the contents reported in the ESG Report and has approved and confirmed the contents of the ESG Report on 28 March 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feedback Mechanism

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

2. ABOUT THE GROUP

As a leading technology-driven IT solution service provider in China, Newlink Technology focuses on innovation based on its independently developed software products. We have always attached importance to the innovation of technologies and business models, and have long been committed to providing digital construction services for the real economy, thus establishing our advantages of IT-based services in various industries such as finance, medical care, transportation and energy. At the same time, we constantly develop innovative solutions for the future development of industry users by actively deploying cutting-edge technology fields such as artificial intelligence and big data analysis. In combination with cloud computing technology, we have further expanded the field of SaaS services, and launched and promoted more innovative solutions powered by artificial intelligence and big data analysis technologies for both specific and general industries.

In the future, Newlink Technology will continue to diligently work in the field of digital construction services, accelerate the pace of IT-driven innovation and development on the basis of its independent research and development of software products, join hands with professional digital partners to promote the process of industrial digitalization, build a more comprehensive industrial service system, bravely embrace new challenges brought about by the changing market and social environment, and deeply identify new opportunities and new spaces. Driven by policy dividends, we will continue to promote the application of cutting-edge technologies and the continuous innovation of solutions, increase efforts in technology research and development and market promotion, and further strengthen the development of key technologies and SaaS services for artificial intelligence and big data analysis applications to expand our own strengths.

Philosophy and Vision

The Group has always adhered to the business philosophy of "Integrity, innovation, service and mutual development", and is committed to co-development in economic, social, environmental and governance aspects. Environmentally, while we strive to achieve the Group's business objectives, reducing our impact on the environment is also our development goal. Socially, we not only attach great importance to establishing trustworthy long-term partnerships with our business partners and suppliers, but also regard our caring for employees as an important element in the development of the Group. Economically, we actively protect the interests of our shareholders and investors and assume corporate social responsibilities while focusing on stakeholder requirements. On the governance side, we proactively identify and strictly comply with the ESG-related laws and regulations of the nations and regions where we operate business, and organically integrate ESG concepts into our business operations and management to enable the Group to adapt to the times with sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Achievements and Events in 2023

January 2023

- Beijing Newlink was awarded the "Excellent Outsourcing Service Provider of 2022 (2022年度優秀外包服務商)" by client.

- Beijing Newlink was rated as the "Beijing Grade-AAA Credit Enterprise（北京市信用AAA級企業）" by Beijing Software and Information Service Industry Association（北京軟件和信息服務業協會）and Beijing Enterprise Evaluation Association（北京企業評價協會）.

April 2023

- Beijing Newlink was officially designated as the deputy editor-in-chief of the "Standards for Medical Quality Information Development（醫療質量信息化建設標準）" (T/NAHIEM66-2022).

May 2023

- "NewLink RPA Robotics Process Automation Application Platform (NewLink RPA機器人流程自動化應用平台)" of the Company was granted the Excellence Award at the Beijing – Hong Kong Science and Technology International Innovation Forum of Zhongguancun Forum 2023 and the Sixth "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition (2023中關村論壇京港科技國際創新論壇暨第六屆"京港青創杯"北京選拔賽優秀獎).

- Beijing Newlink was certified as a "Zhongguancun High-tech Enterprise（中關村高新技術企業）" by Zhongguancun Science Park Management Committee（中關村科技園區管理委員會）.

June 2023

- Beijing Newlink received the title of "Vice President Unit (副會長單位)" issued by the Branch of Hospital Quality Management and Information Technology Development of the National Association of Health Industry and Enterprise Management（全國衛生產業企業管理協會）.

- The "Customer Value Growth Platform（客戶價值成長平台）" developed by Beijing Newlink received the "Digital Finance Innovation Pioneer Rankings of 2023 – Digital Marketing Silver Award (2023數字金融創新先鋒榜——數字營銷銀獎)" in the Sixth Digital Finance Innovation Competition 2023（第六屆(2023)數字金融創新大賽）.

- "NewLink RPA – Trust Project Submission Management Process Automation (NewLink RPA——信託項目報送管理流程自動化)" of the Company was honored with the "Third China RPA + AI Developer Competition – 2023 Process Value Award（第三屆中國RPA+AI開發者大賽——2023流程價值獎）" in the Third China RPA + AI Developer Competition（第三屆中國RPA+AI開發者大賽）.

- The Company won the "2023 Digital Innovation Leadership Award (2023數字化創新引領獎)" in the 12th Finance Summit（第十二屆財經峰會）, and Mr. Zhai Shuchun, the chief executive officer, executive director and chairman of the Board of Newlink Technology Inc., was honored as the "Digital Transformation Drivers of 2023 (2023數字化轉型推動力人物)".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

September 2023

- Beijing Newlink's independently developed project for industrial supply chain finance was awarded the "Industrial Supply Chain Finance Excellence Award（產業供應鏈金融賽道優秀獎）" in the first Digital Intelligence Financial Innovation Competition – Industrial Supply Chain Finance (Final Round)（數智金融創新大賽——產業供應鏈金融決賽）.

November 2023

- The Company was awarded the "Annual Industry Influence Award 2023 (2023年度行業影響力獎)" in the Capital Power Awards Selection 2023（資本力量2023年度評選）with the theme of "Following the Light, Going Far（逐光而行，行將致遠）" organized by www.STOCKSTAR.com.

- The Company was awarded the "Honour Awards – Outstanding Responsible Enterprise for 2023（奧納獎-2023年度責任優秀企業）" in the "Honour Awards（奧納獎）at the 2023 (6th) Social Responsibility Conference (2023（第六屆）社會責任大會）.

December 2023

- The relevant medical quality management project case of the Company was listed in the "Speech and Semantics – Typical Cases of Medical Artificial Intelligence Practice in China（語音語義類 – 中國醫療人工智能實踐典型案例）" of the Typical Cases of Medical Artificial Intelligence Practice in China in 2023 (《2023年度中國醫療人工智能實踐典型案例》).

- Beijing Newlink was recognized as the "Software Enterprise in Beijing with Core Competitiveness (Technology Research and Development) 2023 (2023北京軟件核心競爭力企業（技術研發型）) of the Evaluation Report on Software Enterprises in Beijing with Core Competitiveness 2023 (《2023北京軟件企業核心競爭力評價報告》).

- Beijing Newlink was recognized as the "Leading Enterprise for Innovative Credit in Beijing in 2023 (2023年度北京市企業創新信用領跑企業）".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. GREEN DEVELOPMENT OF THE GROUP

3.1 Board Statement

As the highest department of ESG governance management of the Group, the Board is responsible for overall strategy and ESG issues of the Group, in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules of the Hong Kong Stock Exchange strictly, which includes overseeing relevant departments to strengthen the improvement of ESG-related policies and measures, and closely monitoring ESG risks with potential impact on business operations to adjust operational policies as appropriate by discussing on the Borad meetings. The Board confirmed the effectiveness of ESG governance structure, reviewed the relevant ESG objectives, and identified key ESG issues and climate change risks. The Board strives to establish a communication platform between the Group and its key stakeholders, regularly reviews ESG issues of concern to key stakeholders, ensures information flow, and conducts materiality assessments to clarify the Group's ESG governance priorities. The Group reviews the results of the importance assessment of ESG issues annually. The ESG working group is responsible for identifying key stakeholders and preparing results and recommendations on materiality issues and presenting the results to the Board of Directors. The Board reviews and confirms the results of the annual materiality assessment of ESG issues to oversee the management of these issues. The Board has confirmed that the results of last year's materiality analysis will be used.

Under the leadership of the Board, we have established an ESG governance structure for fulfilling corporate social responsibilities, building a fair, just and objective market competition environment and achieving sustainable development. The Board oversees relevant departments to strengthen the improvement of ESG-related policies and measures and monitors ESG risks with potential impact on business operations to adjust operational policies as appropriate. Under the authority of the Board, the Group has established the ESG Committee and the ESG Working Group for the management and ESG-related management departments, and continues to promote the Group's ESG work.

The Board has meeting regularly to review and approve the environmental targets and regularly reviews the achievement of the targets. 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 reviewed and discussed the progress of the targets during the Current Year to improve the sustainability efforts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 ESG Governance Structure

The Group is committed to being a good corporate citizen. In order to fulfill our corporate social responsibility and to build a fair, just and objective market competition environment, 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 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 issues, 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 highly value the participation and support of our stakeholders. We actively maintain close communication with our external and internal stakeholders by communicating with them through various communication channels to obtain a deeper understanding of their requirements and expectations of the Group and then take these feedbacks and expectations into consideration, thus refine our sustainability strategy and achieve our sustainability goals, thereby improving our ESG performance and future development strategy.

Stakeholders	Requests and expectations	Communication and response methods	Communication frequency
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	non-regular
Government & Regulators	• Complying 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	non-regular
Shareholder/Investor	• Revenue return • Health and safety management of products and services • Climate change response • Information transparency and efficient communication	• Shareholders' meeting • Corporate announcements/ Results reports • Corporate communications, email, telephone communications and corporate website • Senior management meeting	non-regular

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Requests and expectations	Communication and response methods	Communication frequency
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	non-regular
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	non-regular
Community	• Community investment • Open and transparent information	• Company website • Participate in community events • Social media platforms • Volunteer services	non-regular
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	non-regular
Industry Peers	• Integrity in business • Fair competition • Compliance with the laws • Mutual benefit and win-win situation	• Strategic cooperation projects • Site visits	non-regular

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 Materiality Assessment

Following the ESG Reporting Guide, we analyzed the Group's business operations during the Current Year in conjunction with the results of our survey on issues of materiality to various stakeholders. Our materiality assessment procedure is as follows:

Step 1: Identifying

- We identified materiality issues in accordance with policy requirements such as the ESG Reporting Guide, and with reference to the ESG management practices of outstanding peer companies, in conjunction with the actual operation of the Group.

Step 2: Ranking

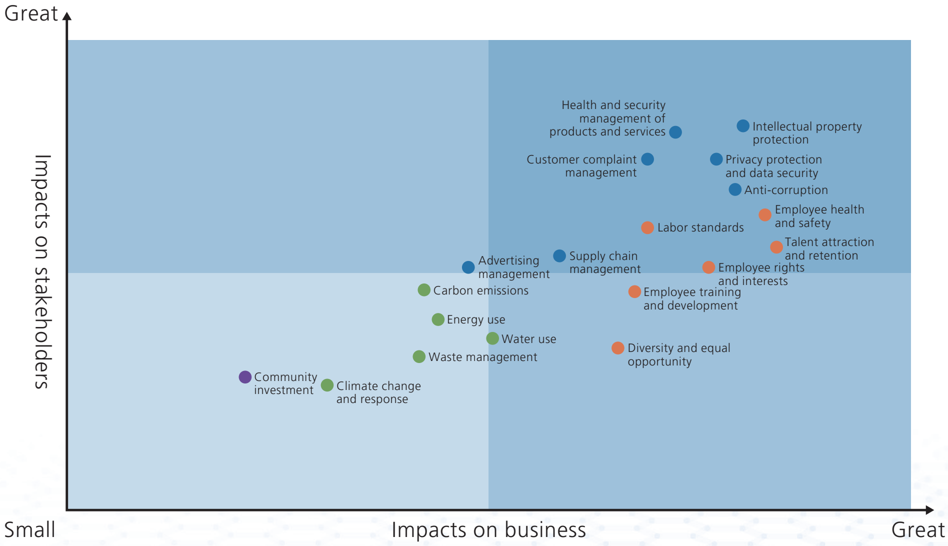
- We prioritize ESG issues based on stakeholder opinion surveys on key issues.

Step 3: Applying and Reporting

- High-materiality issues are not only given priority consideration in the Group's operations, but are also disclosed in ESG reports.

The Board, management and the ESG Committee of the Company confirmed that the results of the materiality matrix previously identified will continue to be used in the current year, as (i) there were no significant changes in business and the operating environment of the Group during the Reporting Period; and (ii) the results of this materiality assessment continue to reflect stakeholders' expectations of the Group, which will continue to be used in the Current Year.

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



Based on the results of the materiality matrix, we have aligned the themes of the materiality topics, including "Green Operation", "Focus on Employees", "Corporate Compliance Operation" and "Community Investment".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 Highlights of the Current Year

In recent years, Newlink has been focusing on the common development of economic, social, environmental and governance aspects. On the environmental front, the Group insists on minimizing environmental impacts while achieving its business objectives; on the social front, the Group supports internal skills improvement, and creates corporate social values through reliable partnerships with business partners and suppliers; on the economic front, the Group actively pays attention to the requirements of stakeholders, and strives to fulfill its corporate social responsibilities while safeguarding the interests of its shareholders and investors; and on the governance front, the Group actively identifies and strictly complies with relevant national and regional ESG-related laws and regulations, and implements ESG concepts throughout the Group's operations to build a sustainable enterprise.

During the Current Year, we were granted the "Honour Awards – Outstanding Responsible Enterprise for 2023（奧納獎-2023年度責任優秀企業）", which is undoubtedly a full recognition and affirmation of our efforts in the ESG area. We never forget our responsibilities and obligations as a technology enterprise in the society. On the basis of consolidating our market position as a provider of artificial intelligence and big data solutions, we have continued to fulfill the principles of corporate social responsibility and the concept of sustainable development, giving full play to the social value of the application of technological innovation and technology, and vigorously promoted the implementation of the Group's social responsibility and contributed to the realization of China's sustainable social and economic development.

During the Current Year, we were invited to participate in the CFS2023 12th Financial Summit and 2023 Sustainable Business Conference（CFS2023第十二屆財經峰會暨2023可持續商業大會）. The Group and Mr. ZHAI Shuchun, Executive Director, Chairman of the Board and Chief Executive Officer of the Group, were awarded with two distinctions, namely the "2023 Digital Innovation Leadership Award"（2023數字化創新引領獎）and the "Digital Transformation Drivers of 2023"（2023數字化轉型推動力人物）, after nomination and recommendation by the summit organizers and final deliberation by an expert jury.

We emphasize on product innovation, and our "NewLink RPA Robotics Process Automation Application Platform"（NewLink RPA機器人流程自動化應用平台）made a high-profile appearance in the 6th "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition held in conjunction with 2023 Zhongguancun Forum, and was finally granted the Excellence Award at the Beijing – Hong Kong Science and Technology International Innovation Forum of Zhongguancun Forum 2023 and the Sixth "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition（2023中關村論壇京港科技國際創新論壇暨第六屆"京港青創杯"北京選拔賽優秀獎）for its outstanding performance in terms of innovation, commerciality, and market value.

In the Digital Marketing Division of the Sixth Digital Finance Innovation Competition 2023 (第六屆(2023)數字金融創新大賽), Beijing Newlink, a substantial subsidiary of the Group, won the "Digital Finance Innovation Pioneer Rankings of 2023 – Digital Marketing Silver Award（2023數字金融創新先鋒榜 – 數字營銷銀獎）" by virtue of the outstanding performance of its "Customer Value Growth Platform"（客戶價值成長平台）, which has been built by means of a number of technological innovations such as artificial intelligence, big data analysis and RPA in terms of its practicable implementation, innovation, forward-looking nature and other evaluation dimensions in the financial industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. GREEN OPERATION

The Group 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 regards environmental protection as a social responsibility for our corporate development.

As an IT solution provider based on self-developed software products, the Group's impact on the environment mainly involves office electricity, water and paper consumption, as well as commercial vehicle emissions. The electricity and water used in our offices is part of our environmental impact. We are committed to adopting energy conservation measures and optimizing energy use to reduce our consumption of electricity and water resources. We recognize the importance of environmental protection and will continue to focus on and improve our operations to minimize our environmental impact and actively promote sustainable development and environmental practices. In order to actively respond to environmental protection, the Group promotes green travel and encourages employees to commute by public transport or bicycle. During the Reporting Period, we held several staff walking challenge competitions to advocate the concept of low-carbon and environmental protection.

During the Current Year, the Group did not have any environment-related violations.

4.1 Emissions and Waste Management

The Group has established a specialized treatment process for hazardous waste such as used batteries or waste toner cartridges and ink cartridges generated in the course of operation. We have set up a special hazardous waste storage place and regularly store hazardous waste in a designated place for centralized and standardized disposal.

To reduce emissions, we have taken various measures. First, we have organized relevant trainings to raise employees' awareness of waste separation and to enable them to learn about waste separation. Through such trainings, we hope to minimize the mixing of hazardous waste with non-hazardous waste and ensure their proper handling and disposal.

Moreover, we strive to utilize resources more efficiently. For example, idle computers of technical department that are still performing, are re-used by the functional departments as office computers to reduce e-waste and improve the Group's utilization of resources. Through such measures, we have not only reduced the electronic waste, but also improved the efficiency of resource utilization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are taking various measures to reduce office waste emissions. In respect of the management of office consumables, we continuously improved the management of the use of office supplies and standardized the procurement and requisition process of office supplies. We encouraged the use of eco-friendly, high-quality, reasonably-priced and energy-efficient office equipment. To minimize the use of paper, we advocate the use of double-sided printing as far as possible for tasks that require paper data to be used, so as to improve the efficient use of paper. We will continue to promote these measures and continue to improve the efficient use of office resources to reduce the environmental impact of office consumables. By reducing the use of paper and consumables, we are responding positively to environmental initiatives and realizing our goal of sustainable development.

We will further keep an eye on best practices in waste treatment and resource utilization, and continue to improve our operations to minimize our impact on the environment.

During the Current Year, we continued to review the greenhouse gas emissions generated by the environmental scope covered by this report based on the Greenhouse Gas Protocol published by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Standards Organization, and its performance is presented in the section headed "Appendix I: Summary of Sustainable Development Information" of this report.

4.2 Reduce Consumption of Resources

The Group advocates a culture of conservation and is committed to promoting and applying the concept of low carbon and environmental protection. We have formulated the Management Measures for Energy Conservation and Emission Reduction. In order to effectively manage the use of water, electricity and office consumables in various operating places, we are committed to resource control and ensure that employees can use these resources effectively. During the Current Year, we purchased green electricity for the Group's operations, aiming to reduce greenhouse gas emissions, contributing to the transformation towards clean energy and the development of low-carbon economy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, we promote and encourage employees to participate in environmental protection activities to enhance their environmental awareness. During our daily operations, we are mainly concerned about the consumption of gasoline during the use of vehicles and the use of water, natural gas, electricity and paper during office operations. For the use of vehicles, we closely monitor and record the consumption of gasoline. Through effective vehicle management and maintenance, we are committed to improving fuel utilization efficiency and exploring the use of more eco-friendly alternative energy vehicles to reduce the dependence on traditional fuels and carbon emissions. During the Current Year, we promote a paperless office to reduce paper consumption in the office as much as possible. Through regular review and analysis of resource consumption data, we strive to find ways to save energy and resources and promote the use of eco-friendly equipment and technologies. Our operation does not involve the use of packaging materials, which not only reduces the waste of resources, but also avoids unnecessary environmental impact.

编号:01123020000003215 日期:2023-04-19

绿色电力证书

GREEN ELECTRICITY CERTIFICATE

兹此证明

北京市海淀区京海农工商公司（B)

购买中电（朝阳）新能源有限公司辽宁省国家电投中电朝阳500兆瓦光伏发电平价上网示范项目(项目代码WPC1811211321001K) 2021年1月生产的绿色电力

100,000 千瓦时

相当于减排二氧化碳 87,190.00 千克，二氧化硫 47.00 千克，氮氧化物 43.00 千克。

感谢北京市海淀区京海农工商公司（B)对中国绿色电力消费作出的贡献!

国家可再生能源信息管理中心

Note: Jinghai Agricultural and Industrial Company (京海農工商公司) of Beijing Haidian District is the housing tenant of the primary business premise of the Group's headquarter.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management

In terms of power management, we have adopted a package of measures to reduce energy consumption. Firstly, we purchase eco-friendly and energy-saving electrical equipment with priority, and gradually phase out equipment with high energy consumption and low energy efficiency. In addition, we also use energy-saving lighting fixtures to replace traditional lighting equipment. Moreover, we carry out strict daily management of lighting systems and electrical equipment, and reduce energy consumption through various measures:

- We use natural lights as much as possible, reduce or avoid use of electrical lights and turn off the lights before leaving public places such as office areas and conference rooms, during the daytime.

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

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

- We minimize the use of office equipment such as computers, copiers, printers, and paper shredders. These items are set with automated low-power sleep modes or are timely turned off when not in use to reduce power consumption. For equipment that is not in use for a long time, it is also necessary to turn off the power in time to avoid unnecessary energy waste.

Water Resource Management

The Group has no issue in accessing sourcing water. In terms of water resources management, we have adopted a series of measures to improve water efficiency and reduce waste. Firstly, we set up water-saving reminder signs at water facilities to remind and help employees develop the habit of saving water. In addition, we regularly water supply facilities such as water pipes, faucets, and water supply systems, and strengthen the maintenance and management of water equipment to strictly prevent water leakage and unnecessary waste by fixing water leakage and preventing dripping and leakage of taps in a timely manner. We conduct multiple inspections every day in office areas to ensure timely turning off water faucets. This can effectively prevent unnecessary water flow and ensure that water equipment is turned off when not in use to avoid unnecessary consumption of water resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.3 Environmental Targets

During the Current Year, the Board and the management of the Group have reviewed the relevant environmental targets and their progress. The water consumption per capita of the Group has shown a steady downward trend, while the energy consumption per capita and greenhouse gas emissions have slightly increased, which is attributable to the fact that the office and vehicles were not used throughout the year due to the adoption of the hybrid work model in 2022 to respond to the epidemic and the normal use of office and vehicles in 2023, resulting in a reasonable increase of water consumption per capita and energy consumption per capita. We must actively review and implement the Group's energy saving, water saving, emission reduction and waste reduction measures to ensure the achievement of environmental targets.

The Group's environmental targets are as follows:

Greenhouse Gas Emission Target:

- 30% reduction in electricity consumption per capita by the end of 2030 based on a 2020 baseline.

Energy Use Target:

- 25% reduction in gasoline consumption per capita by the end of 2030 based on a 2020 baseline.

Water Consumption Target:

- 25% reduction in water consumption per capita by the end of 2030 based on a 2020 baseline.

Waste Management Target:

- Waste separation to be implemented in all areas where Newlink Technology operates from 2021 onwards.
- 100% compliant disposal of hazardous waste to be maintained in all areas where Newlink Technology operates each year from 2021 onwards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.4 Responding to Climate Change

During the Current year, the Group continued to pay attention to and manage the impact of its business operations on climate change, and actively committed to China's initiative to achieve "3060 Carbon Peaking and Carbon Neutrality Goals". We continued to commit to reduce greenhouse gas emissions and actively participate in green transition by improving energy efficiency. By taking these steps, we will reduce greenhouse gas emissions and reduce our negative impact on climate change.

Climate change events such as floods and heavy rainfall may affect our business continuity and delay the construction schedule. In addition, chronic risks such as extreme temperatures and droughts may cause increased energy consumption in office buildings and increase operating costs. The Group has considered in advance the impact of extreme weather conditions on business and employees, and formulated relevant countermeasures, for example, to adopt remote work arrangements or flexible office hours measures to cope with adverse weather conditions to ensure staff safety and business continuity. At the same time, we also attach importance to measures to reduce energy consumption and improve efficiency. When facing chronic risks such as extreme temperatures and drought, we proactively adopt energy-saving measures to control energy consumption in office buildings to reduce operating costs and reduce our impact on the environment. In order to cope with the transition risks related to climate change, the Group will continue to improve and optimize our business and operations. We are developing low-carbon products and services, accelerating product transformation to adapt to the challenges caused by climate change to ensure we can continue to grow and protect our employees and the stability of our business.

While facing climate change, we can still seize opportunities. By improving the efficiency of energy and water resource use in our offices and reducing waste emissions, not only do we reduce operating costs, but also realize financial savings. 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 stimulate the development of new products and services in-house. Therefore, we can further meet consumers' demands for environmental protection and promote sustainability, which will also make us stand out in the industry and enhance the Group's competitiveness in the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. VALUE OUR TALENT

We regard our employees as the core assets of the Group. We uphold the corporate values of "integrity-based, pioneering and innovative, service-oriented and common development". We are committed to providing our employees with a safe, healthy and inclusive work environment, as well as nurturing and developing their professional capabilities and personal growth. The well-being and satisfaction of our employees is our focus. The Group is committed to creating a positive working atmosphere, encouraging employee participation and cooperation. We attach importance to combining daily team building with green life through organizing online and offline group activities to improve team cohesion and cultivate personal green awareness. We also attach importance to the health and safety of our employees. We provide a safe working environment for all employees, and promote their physical and mental health. We also comply with relevant laws and regulations and take preventive measures to ensure the health and safety of our employees. Employee training and development is an important area of investment for us. We provide a wide range of training and learning opportunities to help employees continuously improve their professional skills and leadership capabilities. Employees are encouraged to participate in internal training courses, external seminars and industry networking events to promote their personal growth and career development. We are fully aware that creating a diverse and inclusive work environment is one of the key elements of our business success, 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 and differential treatment regarding race, skin color, ancestry, age, gender, sexual orientation, religion, disability, ethnicity, nationality, service status, marital status, pregnancy or any other matter as prohibited by law or otherwise unrelated to the Company's legal interests.

5.1 Compliant Employment

Employees are the important property of our Group, and we strive to protect their legal rights and interests. We strictly comply 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 internal policies including the Human Resources Workbook and Staff Management Regulations etc., which cover recruitment, remuneration, attendance, training, employee development, leave, termination of employment and procedures for other employment-related matters in order to effectively protect the rights and interests of employees.

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We have developed standardized recruitment and setup procedures, which clarify the division of work for each position in the recruitment process, and clarify the recruitment organization and recruitment procedures. We recruit talents through various channels such as internal recruitment and external recruitment to meet the Group's needs for different types of talents. Since existing employees have a better understanding of the Company's situation and are more loyal to the Company, internal recruitment can improve the allocation of human resources and increase the enthusiasm of employees. When vacancies in technical positions occur, priority is given to selecting employees from the talent strategy department. For external recruitment, we adopt an effective combination of recruitment channels based on different positions and ranks, for example, campus recruitment, media recruitment, internal employee referral, recruitment at job fairs or recruitment through engaged agency companies. We ensure that recruitment is open, fair and equal. We evaluate the candidates according to their educational background, work experience, professional skills and the evaluation criteria 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. Before we confirm the employment of new employees, we will sign labor contracts, confidentiality agreements, employment registration forms and other paper documents with employees to ensure the legal rights and interests of employees. We also respect the leaving and staying of employees. If an employee intends to resign, he/she must submit a resignation application in writing to his/her supervisor. After receiving the employee's request to resign, the department head will immediately communicate with the employee to understand the reason for the resignation and other relevant information, and make proper handover of the work in accordance with the requirements of the Resignation Handover Signature Form.

We encourage employees to work more efficiently during office hours and discourage overtime work. Therefore, we have established an attendance and leave management system, adopted standard working hours and provide employees with annual leave and other holidays. We use these systems and measures to understand the working hours of our employees. If employees need to work overtime due to workload, we will provide reasonable compensation to employees in accordance with relevant laws, regulations and internal systems. 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 his/her work immediately, and deal with it appropriately following laws and regulations. At the same time, we will conduct investigations to identify loopholes and implement remedial measures to prevent any recurrence. The employee contracts we sign with our employees clearly state terms for employees to protect the rights and freedoms of our employees and prohibit forced labor. 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.

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5.2 Compensation and Benefits of Staff

We help every employee inspire their personal potential, so we provide them with 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. During the reporting period, we have 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. In order to fully explore the potential of employees, we provide each employee with the opportunity to show their talents, and strive to let employees achieve career success while developing the Company. Regarding the comprehensive work performance of our employees, we regularly conduct a comprehensive evaluation to objectively assess the work performance of each employee and decide whether to promote the employee according to the evaluation result. We are committed to ensuring that this process is fair, transparent and provides employees with fair opportunities for promotion. The Group formulates feasible training and talent pooling programs based on the vacancies released within the Group from time to time, as well as the talent structure, in order to give employees a suitable development path. Under these plans, we provide our employees with appropriate opportunities to grow and make progress in their careers.

Valuable input from our employees helps our Group 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.

The Group is people-oriented and we are committed to providing a good working environment and atmosphere for our employees. We provide a wide range of benefits to our employees, including free medical check-ups, personal accident insurance, communication allowance, business travel allowance and holiday care. In addition, employees are also entitled to various types of leave benefits such as statutory holidays, annual leave, wedding leave, maternity leave and breastfeeding leave. We strictly ensure that the working hours, wages and benefits of all employees are up to standard. In order to enhance employee engagement, we regularly organize staff activities to enhance employees' sense of belonging and they would participate more actively when working as a group.

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5.3 Work Safety First

The Group is responsible for ensuring the safety and health of its employees. We are 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. In the past three years (including 2023), 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. During the Current Year, the Group had no lost workdays due to work-related injuries.

The Group has always given top priority to the health of its employees in the development of the Group. 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 complete work injury protection system. At the same time, 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. We have proactively arranged employees to participate in fire safety trainings to improve their safety awareness. In addition, we also organize training related to physical fitness and lectures on health and occupational diseases, including regularly inviting professional doctors to massage and physical therapy for employees, 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 receives medical treatment in a timely manner and that the work-related injuries are identified and properly handled for according to the requirements of relevant laws and regulations.

5.4 Talent Cultivation

The Group insists on continuously improving employees' work ability and creativity through training, so that employees can continuously improve their professional skills and broaden their knowledge areas. To this end, we are committed to providing training opportunities for our employees to cultivate and develop outstanding talents to make a positive contribution to the success of the Company. We have formulated the "Training Management System" and "2023 Training Plan" based on the "Human Resources Work Manual". These training courses are under the centralized management of the Training Department under the Human Resources Management Center, which provides induction training for new employee, on-job training, appointment training and other training courses for different types of employees, so as to enrich employees' knowledge and skills in a planned way and unleash their potential abilities.

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In addition to annual/monthly training, the Group has established a three-level training system based on corresponding business requirements to provide targeted training for employees at each stage of their development. Level 1 training courses include basic training contents such as new employee induction training, general quality and skills training, interview skills training and product training. Level 2 training courses are professional training, involving the professional skills and techniques that employees need to complete their jobs. We will arrange for employees to participate in professional training at least twice a year based on project conditions. Level 3 training courses are special management training for management to improve their management skills and levels, and need to be carried out according to the Group's development strategy. During the Reporting Period, we hired a professional third-party training institution to provide a wealth of professional courses for the management to quickly acquire the latest specialized knowledge and skills. In addition to internal training, we also select employees to go out for commissioned training when necessary based on development and special work needs. In addition to external training, we also encourage employees to serve as internal lecturers within the Company. We have selected some employees who are willing to engage in the Group's vocational education and training works and actively cooperate with the Group in carrying out training.

At the same time, in order to rationally utilize the Group's human resources, leverage employees' strengths, realize sustainable development career paths for employees at all levels, promote the common development of the Group and employees, and enhance corporate competitiveness, we have established "Regulations on Employee Development Management", so as to encourage employees to specialize in their strengths, provide equal promotion opportunities for different types of personnel, and give employees sufficient space for career development.

6. CORPORATE COMPLIANT OPERATION

6.1 Supply Chain Management

The Group attaches great importance to the sustainable development of the supply chain, enhancement of the supply chain management system, and ensures the quality of products and services. We have formulated the Company's "Tender Management Measures" and "Procurement 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*, standardized our procurement management work and improved our procurement efficiency. We have created unified data files for all suppliers and have dedicated personnel to manage them. Due to the business characteristics of the Group, our suppliers 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 26 suppliers. All suppliers have implemented our practices relating to engaging suppliers.

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The procurement of the Group's self-use software, fixed assets, office supplies, outsourcing personnel and professional services is governed by the "Procurement Management Measures". The procurement personnel will compare the quality and price based on market information, shop around, and select suppliers with the same materials, high quality, low prices and good services. At the same time, we have established a optimized procurement process, and have formulated corresponding policies to protect the legitimate rights and interests of both the Group and our suppliers in terms of procurement submission, approval, inquiry and negotiation. We will sign contracts with the suppliers before the cooperation. The contracts need to specify product details such as duration, purchase price, payment method, rights and obligations of the contracting party, confidentiality, termination and other parts. Before the Group selects the suppliers and during the cooperation process, the commercial department will verify relevant company qualifications, industrial and commercial information, legal proceedings, operating conditions, operating risks, intellectual property rights and other information. The evaluation description will be summitted to the demand department for reference after confirming that the selected suppliers are legal and compliant. The demand department will also perform an annual evaluation of the suppliers selected by the Company.

We consider environmental and social risks properly and perform rigorous review when selecting and engaging service providers. We review the environment, health and safety, anti-corruption, product liability as well as other performance and compliance of the suppliers. We have corresponding requirements and standards 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.

6.2 Customer Service Comes First

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.

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6.2.1 Customer Relationships

The Group always emphasizes customers' experience as the top priority in our business operations, 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. In order to improve the quality of customer service, keep raising customer satisfaction and effectively implement the service objective of "Customer First", we have formulated the "Customer Service Management System" and provide users with 9 hours × 5 days of voice services and 12 hours × 7 days of online consulting services, solving the problem of service and consultation response to users, and providing effective and prompt ways and channels for communication between customers and enterprises.

We attach great importance to any effective suggestions provided by our customers. We also provide diversified channels including emails, complaint telephone and online complaints, etc. to listen to the customers' demand. After receiving customer feedback, we will record the content in detail, clarify the relevant responsibility and analyze the cause. At the same time, we will formulate a corresponding complaint handling plan and communicate with the complainant in a timely manner. Finally, we will issue a corresponding implementing plan to resolve the complaint. During the Current Year, the Group did not receive any serious complaints related to products and services, and our customer service rating was excellent. We have received many thank-you letters and commendation letters from customers to our employees, giving positive recognition to our work.

6.2.2 Product Quality and Safety

The Group is committed to providing customers with healthy and safe products and services. We strictly comply with the *Product Quality Law of the People's Republic of China*, and have formulated the "Pre-sales Project Management Measures" and "Scheme Management Committee Management Measures", to carry out targeted service for different customers and service categories, standardize project management and ensure the level of customer service. In order to continuously improve and enhance service quality, we carry out targeted service quality management for different customers and service categories. We adopt process-oriented review and confirmation to ensure that customer needs are recorded accurately, 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. We are committed to providing efficient and reliable services to ensure the improvement of customer satisfaction. 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 (Software Process Capability Maturity Model Integration) Certification;
- ISO9000 Quality Management System Certification;
- 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.

In order to strengthen the quality control in the R&D process, we have established a Technical Management Committee and a Quality Management Team. 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, to ensure all quality management work can be carried out effectively in the product development process and meet the relevant requirements. We have also established the Technical Management Committee to be responsible for the quality control of the product development process, and has formulated the management method of software development project grading supervision and control. Based on the difference in complexity and importance of projects, we have designed corresponding management processes for each level of projects. Through the organization of review work covering key points such as business architecture, application architecture, data architecture, and technical architecture, we ensure that the quality of product delivery meets customer requirements.

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6.2.3 R&D of Corporate Products

As a leading technology-driven IT solution service provider in the PRC based on independently developed software products, using the application of advanced technological innovations such as artificial intelligence and big data analysis as the core, the Group has long been focusing on the application of innovative IT solutions in various fields, helping a wide range of real industries to accelerate the implementation of digital transformation. During the provision of service to our customers, the Group has been deeply aware that the indicators such as data security, operational stability, and good scalability have become the key for technologically innovative technical service providers to provide mature and comprehensive information and digital services to customers.

During the Current Year, the "Savings Treasury Bond System Upgrading and Renovation Project" (儲蓄國債系統升級改造項目) of a large domestic financial limited liability company in China undertaken by the Group was put into production as scheduled and was well received by the customer. With the Company's early R&D of products and extensive experience in the treasury bond field, during the Current Year, the Company has successively won bids for electronic treasury bond system building related projects of 25 banks, and has steadily maintained its leading position as the leading software development service provider in the field of domestic electronic treasury bonds.

During the Current Year, the Group released version V5.5 of our Robotic Process Automation (RPA) product (機器人流程自動化(RPA)產品V5.5版本) and focused on launching the UOS Xinchuang version (UOS信創版本) of the RPA platform. Leveraging on the advantages of enterprise-level platform products, Beijing Newlink once again successfully won the bid for the Robotic Process Automation System Upgrade and Transformation Project of a large joint-stock commercial bank in 2023. Working along with their technology team, Beijing Newlink created a new generation of enterprise-level intelligent RPA platform system based on WINDWOS desktop and UOS Xinchuang desktop. This has built a good foundation for the future digital development of the customer, especially the development towards process automation of Xinchuang, and has been well received by them.

The Group continues to invest in R&D in the medical industry and has launched the "Intelligent Healthcare Management Platform V4.0", the "Traditional Chinese Medicine Outpatient Electronic Medical Record System V1.0", the "Hospital Medical Quality Management and Safety Early Warning Comprehensive Platform V6.5", the AI-based "Medical Record Quality Comprehensive Management Platform V5.5", the "Medical Document AI Structured Platform V5.5" and other products. With the AI-based "Medical Record Quality Comprehensive Management Platform", the Local Hospital's medical quality management project of the Company – the case of "Application of Artificial Intelligence in Medical Quality Management" successfully won the title of "Speech Semantic Category – Medical Artificial Intelligence Practice Typical Cases in the PRC" (「語音語義類－中國醫療人工智能實踐典型案例」) in the "2023 Medical Artificial Intelligence Practice Typical Cases in the PRC" (「2023年度中國醫療人工智能實踐典型案例」) collection and selection activity guided by the National Institute of Hospital Administration (國家衛生健康委醫院管理研究所) and organized by "China Digital Medicine" (《中國數字醫學》) magazine.

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Newlink Technology presents its innovative technological solutions and products at Hong Kong Fintech Week, attracting much attention

Hosted by the Financial Services and the Treasury Bureau of the Hong Kong SAR Government and Invest Hong Kong of the Hong Kong SAR Government, and co-organized by the Hong Kong Monetary Authority, the Securities and Futures Commission of Hong Kong and the Insurance Authority, the Hong Kong Fintech Week 2023 physical main forum with the theme of "Fintech Redefined" was successfully held at the Hong Kong Convention and Exhibition Center.

As a leading technology-driven IT solution service provider in the PRC based on self-developed software products, the Group has long been focusing on the application of technology-driven IT solutions in various fields with the application of advanced technological innovations such as artificial intelligence and big data analysis as the core. The Group continues to provide high value-added IT solution services to customers in finance and other industries. For the first time this year, the Group appeared at Hong Kong Fintech Week with a number of its representative innovative IT solutions and products for the financial industry.

At the exhibition site of Hong Kong Fintech Week this year, the booth of Newlink Technology attracted the attention of numerous experts and partners from the financial industry, as well as investors, scientific research institutions, media friends and other exhibitors.

Newlink Technology actively integrates into the new development layout of medical digital intelligence, with its innovative products fully displayed at CHIMA2023

During the Current Year, as an early innovative IT solution service provider in the PRC that relies on artificial intelligence, big data analysis, NLP and other scientific and technological innovation technologies to help the medical institutions in Mainland China complete the implementation of informatization and digital transformation applications, the Group was invited to participate in the 27th Annual Academic Conference and China Health IT Conference（第27屆學術年會暨中國醫院信息網絡大會）for 2023 (CHIMA 2023) hosted by the Chinese Hospital Association.

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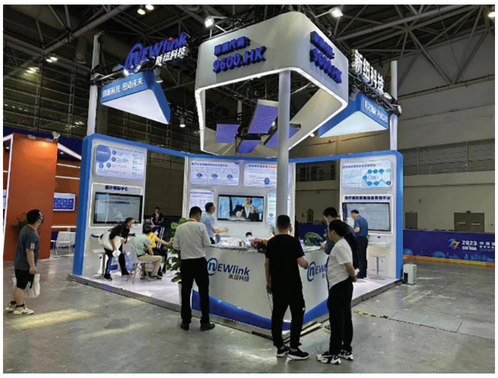
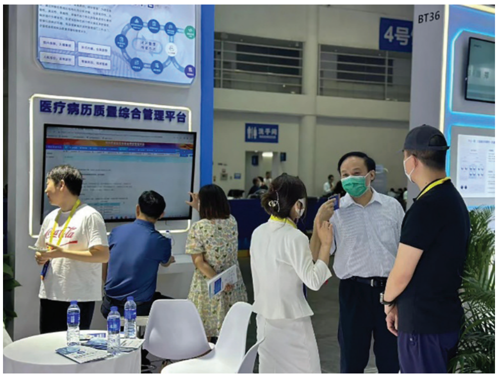
At the conference, we are one of the few innovative technology service enterprises using artificial intelligence, big data analysis and other scientific and technological innovation technologies to empower and help the medical industry in the PRC improve the overall quality management level in the entire medical process and application scenarios, and gain first-mover advantage in the track, attracting much attention at the exhibition site. The high-profile debut of innovative IT solutions and products of the Group (including the "Medical Quality Control and Safety Warning Management Platform", the "Medical Record Quality Comprehensive Management Platform", the "Medical Document Data Structured and Management Platform", the "Medical Safety (Adverse) Event Management System", the "Medical Index Center" and the "Brain Disease Remote Diagnosis and Treatment Platform") aimed at helping the medical industry accelerate the improvement of the overall quality management level in the entire medical process and application scenarios. They attracted the attention of a large number of participating leaders, experts and guests, who came to the booth to have lively exchanges and discussions with relevant experts of Newlink Technology.





6.2.4 *Data Security and Privacy Protection*

As a supplier of IT solutions to customers, it is significant for the Group to maintain customer privacy and data security to enhance user reliability. 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*, *Mobile Network Personnel Privacy Policy* and other relevant laws and regulations. Besides, we also develop internal network access control, system operation management, telecommunication equipment security management, security incident emergency response mechanism, user information security protection, and business continuity operation management to achieve daily operation, maintenance and management.

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To secure a safe development environment within the Group, and ensure that all test data used during products development process is desensitized in accordance with strict confidentiality requirements before use, we sign confidentiality agreements with all employees, requiring them to maintain customer data, major research and development products and other trade secrets. We use and maintain customer information by laws, and will only collect and use customer information in accordance with relevant laws and regulations. Only with prior written consent from customers will our staff be permitted to disclose or use such data with strict limit on the amount of disclosure so as to protect customers' rights and interests. Besides, we organize security and privacy protection training courses for our staff to increase their awareness of protecting customer information and privacy.

6.2.5 Intellectual Property Protection

The Group strictly complies 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, so as to protect its own intellectual property and to avoid infringement of others' intellectual property rights. We have formulated the "Scheme Management Committee Management Measures" for clarifying the approval process for internal and external declaration of intellectual property protection to regulate and strengthen management over intellectual property rights. In order to avoid infringement of others' intellectual property rights, we require our employees to strictly comply with the terms of applicable proprietary information and invention agreements, and use such intellectual property in accordance with relevant laws and regulations and the authorization of the intellectual property owner. The Group has set a dedicated management department to check the status of intellectual property rights and to record the entire process for traceability (if any) for any violation of intellectual property rights by employees, and will impose appropriate sanctions depending on the severity of the situation.

In order to effectively manage intellectual property rights and patents, we have set up a Program Management Committee to be responsible for managing intellectual property rights and patent related affairs. In addition, a dedicated department has been established under the Committee to be responsible for the overall intellectual property protection of the Group. We have dedicated personnel for the audit and management of trademarks, and regularly conduct 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, consistency and standardization of their use. As of the end of 2023, we have registered 7 domain names, 204 software copyrights, 2 trademarks and 1 patent in China.

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6.2.6 Responsibility Promotion

The Group strictly complies with the laws, regulations and industry norms such as *the Advertising Law of the People's Republic of China*, and ensures the comprehensiveness, compliance and effectiveness of publicity while promoting our business. We have formulated the "Scheme Management Committee Management Measures" to determine the promotion principles of correctness, truthfulness and non-exaggeration, regulate the content of promotional materials and clearly set out the process and requirements for promotion to ensure the authority, timeliness and accuracy of published content.

The Group is committed to ensuring that all information we released is legally compliant, truthful and reliable, and accurately describes the contents of the Group, products or services. We have established sound procedure for external publicity. First of all, the Marketing Department and Brand PR Department are responsible for coordinating and managing the external publicity, and strictly reviewing all marketing information released publicly, including information from public media, exhibition events, promotional activities and promotional printed materials and other channels. Second, in order to ensure the accuracy of the published content and prevent abuse thereof, we have 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 misleading, so as to prevent abusive behavior. In addition, after the appropriate approval procedure, we will also withdraw, disprove or declare any information that does not comply with the actual situation and relevant regulations, and take legal actions to resolve infringement against the Group, to effectively safeguard our legal rights and interests.

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6.3 Integrity Governance

Compliance operation and integrity are important principles for the Group. We are in strict compliance 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" to provide our directors and all employees with guidelines and rules on fraud prevention and control measures, whistle blowing and complaint systems, case investigation and reporting mechanisms as well as relevant remedial measures and penalty systems, to strengthen corporate governance and internal control, safeguard the legal rights and interests of the Company and its shareholders, ensure the right of employees and third parties to report or complain about illegal or non-compliant behaviour by normal process, and achieve business objectives and sustainable, stable and healthy development. During the Current Year, the Group was not involved in or found in any violation of anti-bribery or anti-corruption related laws and regulations.

We have established sound internal control system, set up effective reporting and complaint channel for prevention and detection of fraud and corruption, implemented control measures to minimize the probability of fraud and corruption behaviors, and taken appropriate and effective remedial measures and penalties against fraud and corruption. We require all employees to observe relevant laws and regulations, industry norms and standards, professional ethics, and the internal rules and regulations of the Group. Any fraud or corruption found should be reported to the standing organization in relation to anti-fraud and anti-corruption affairs through proper channels. The Group has set up an anti-fraud working group to be responsible for management of the fraud and corruption reporting hotline, reporting box and email box, receiving real-name or anonymous reports from employees or external third parties, keeping written records and reporting the same to the supervisors in a timely manner.

We focus on promotion of integrity awareness by regularly distributing anti-corruption related training materials to our directors and employees via email and organizing regular training on anti-corruption and anti-fraud ethics, which is mandatory for all directors and employees. During the Current Year, the anti-corruption training rate for employees and directors was 100%.

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7. COMMUNITY INVESTMENT

In keeping with its commitment to sustainable development and social responsibility, the Group is committed to making good cooperation with various communities. To this end, the Group actively supports its employees to participate in community activities in the locations where the Group operates 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, the Group's amount invested in its participation in community service activities achieved RMB28,000. Seven members of our staff volunteer team have participated in public service activities in the scale of 500 people, with a volunteer service time of 8 hours per capita, contributing a total of 56 hours of service.

On 16 June 2023, under the guidance of Dongsheng Township Livelihood Protection Office（東升鎮民生保障辦公室）, Haidian District, Beijing, we participated in the charity culture bazaar with the theme of "Love Gathering for Dongsheng (愛益東升 聚愛眾行)", to propagate the green concept of environment protection through this offline public welfare bazaar. During the event, our staff explained to the local people the application of the Group's products in real life, to make them understand the efficiency and environment-friendly characteristic of paperless office.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix I: Summary of Sustainable Development Information

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 2023
Air Emissions		
Nitrogen oxides (NO_X)	Kilogram	71.7
Sulfur oxides (SO_X)	Kilogram	0.1
Particulate matter (PM)	Kilogram	6.9
Greenhouse gas emissions[3]		
Direct GHG emissions (Scope 1)	Metric tons of carbon dioxide equivalent	28.2
Direct GHG emissions (Scope 2)	Metric tons of carbon dioxide equivalent	142.7
Total greenhouse gas emissions (Scope 1 & 2)	Metric tons of carbon dioxide equivalent	170.9
Greenhouse gas emissions per capita (Scope 1 and 2)	Metric tons of CO_2 equivalent/employee	0.3
Greenhouse gas emissions per square meter (Scope 1 and 2)	Metric tons of CO_2 equivalent/m^2	0.03
Waste		
Hazardous waste[4]	Pieces	68
Hazardous waste generation per capita	Pieces/employee	0.1
Total non-hazardous waste[5]	Metric tons	19.0
Non-hazardous waste per capita	Metric tons/employee	0.03
Paper consumption		
Paper consumption	Kilogram	323.7
Per capita paper usage	Kg/employee	0.50
Energy consumption		
Total energy consumption	Megawatt hours	352.0
Energy consumption per square meter of floor space	MWh/m^2	0.06
Energy consumption per capita	MWh/person	0.5
Direct energy consumption	Megawatt hours	102.2
Natural gas consumption	Megawatt hours	16.1
Bus fuel consumption	Megawatt hours	86.1
Indirect energy consumption	Megawatt hours	249.8
Outsourced power	Megawatt hours	249.8
Water consumption		
Total water consumption	Cubic meters	1,376
Water consumption density per capita	Cubic meters/employee	2.1

1 The scope of the data covers the entire Group.
2 Due to business characteristics, packaging material 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 domestic waste, food waste and recyclable waste. They are uniformly treated by a third party, and the data comes from the third-party clearing company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Social Scope	Unit	Quantitative values for FY2023
Number of employees[6]		
Total number of employees	Number of people	643
Number of employees by gender		
Female	Number of people	187
Male	Number of people	456
Number of employees by type of employee		
Full-time junior staff	Number of people	561
Full-time mid-level staff	Number of people	50
Full-time senior staff	Number of people	32
Number of employees by employee contract		
Labor contract workers	Number of people	624
Labor service contract workers	Number of people	16
Interns	Number of people	3
Number of employees by age group		
Under 30 years old	Number of people	226
30-50 years old	Number of people	403
Over 50 years old	Number of people	14
Number of employees by region[7]		
Beijing	Number of people	472
Non-Beijing area	Number of people	169
Other Region (Including Hong Kong, Macau, and Taiwan)	Number of people	2
Employee turnover rate[8]		
Total employee turnover rate	%	27.6
Employee turnover rate by gender		
Female	%	27.0
Male	%	27.8
Employee turnover rate by age group		
Under 30 years old	%	36.7
30-50 years old	%	21.7
Over 50 years old	%	12.5
Employee turnover rate by region		
Beijing	%	23.9
Non-Beijing area	%	36.5
Other Region (Including Hong Kong, Macau, and Taiwan)	%	0.0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope	Unit	Quantitative values for FY2023
Occupational Health and Safety		
Work-related fatalities (2021, 2022 and 2023)	Number of people	0
Work-related death rate (2021, 2022 and 2023)	%	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]		
Female	%	94.7
Male	%	98.5
Percentage of employees trained by employee category[9]		
Full-time junior staff	%	96.1
Full-time mid-level staff	%	100
Full-time senior staff	%	93.8
Average number of training hours for trained employees by gender[10]		
Male	Hours	19.3
Female	Hours	23.7
Average number of training hours for trained employees by employment category[10]		
Full-time junior staff	Hours	23.1
Full-time mid-level staff	Hours	14.9
Full-time senior staff	Hours	25.6
Number of suppliers by geographic region		
North China	Company	24
East China	Company	1
South China	Company	1
Total	**Company**	**26**

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%

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.

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 Stock Exchange's Environmental, Social and Governance Reporting Guide

Environmental Scope			Related Sections
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 Operation
	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 Emission and Waste Management 4.3 Environmental Target
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1 Emissions and Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Scope			Related Sections
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Reduce Consumption of 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
	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.	4.2 Reduce Consumption of Resources 4.3 Environmental Target
	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.	4.2 Reduce Consumption of Resources 4.3 Environmental Target
	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 Operation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. Green Operation
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.	4.4 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.	4.4 Responding to Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope			Related Sections
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. Value Our Talent
	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 Work Safety First
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Work Safety First Appendix I: Summary of Sustainable Development Information
	B2.2	Lost days due to work injury.	5.3 Work Safety First Appendix I: Summary of Sustainable Development Information
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Work Safety First

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope			Related Sections
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 Cultivation
	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 Compliant Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Compliant Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Compliant Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1 Supply Chain Management
	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 Supply Chain Management
	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 Supply Chain Management
	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 Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope			Related Sections
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 Data Security and Privacy Protection 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 Relationships
	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 Data Security and Privacy Protections

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Scope			Related Sections
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 Integrity Governance
	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 Integrity Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.3 Integrity Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	6.3 Integrity Governance
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 2023.

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 44 to the consolidated financial statements. An analysis of the Group's revenue for the year ended 31 December 2023 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 2023, 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" as well as this Directors' report of 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 sections form part of this Directors' report.

RESULTS

The consolidated results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 100 to 101 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 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

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 on 20 June 2022 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 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.

As at the beginning of the Reporting Period, the unutilized amount for developing new solutions and upgrading existing solutions was HK$311.8 million, HK$108.1 million of which was intended to develop and upgrade the Group's medical quality control warning system, HK$76.8 million of which was intended to develop the Group's clinical pathway management system, HK$46.1 million of which was intended to develop the Group's telemedicine system, HK$29.2 million of which was intended to develop a new solution of intelligent healthcare platform and HK$51.6 million of which was intended to upgrade the Group's RPA solution; and the unutilized amount for enhancing the Group's sales and marketing efforts was HK$45.3 million.

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 2023	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**	**74.7**	**237.1**	
– to develop and upgrade our medical quality control and safety warning system	20.0%	158.1	18.2%	143.9	24.9	83.2	
– to develop our clinical pathway management system	20.0%	158.1	18.2%	143.9	8.8	68.0	
– to develop our telemedicine system	10.0%	79.0	9.1%	71.9	8.7	37.4	By December 2025
– to develop a new solution of intelligent healthcare platform	10.0%	79.0	9.1%	71.9	6.4	22.8	
– to upgrade our RPA solution	20.0%	158.1	18.2%	143.9	25.9	25.7	
For enhancing the sales and marketing efforts	**10.0%**	**79.1**	**9.1%**	**72.0**	**16.2**	**29.1**	
For working capital and other general corporate purposes	**10.0%**	**79.0**	**9.1%**	**71.9**	**0.0**	**0.0**	
Funds planned for the acquisition of Neusoft Yuetong			**9.0%**	**71.0**	**0.0**	**0.0**	
Total	**100.0%**	**790.4**	**100.0%**	**790.4**	**90.9**	**266.2**	

Notes:

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

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

DIRECTORS' REPORT

FINANCIAL SUMMARY

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

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2023 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 2023 are set out in Note 34 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2023, 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 during the year ended 31 December 2023 are set out in Note 35 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves were RMB710.1 million (2022: 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 32 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 2023.

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. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors

Mr. TANG Baoqi
Ms. YANG Juan
Mr. YOU Linfeng (appointed on 4 December 2023)
Mr. YE Jinfu (resigned on 4 December 2023)

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.

Pursuant to Article 16.2 of the Articles, all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Such Director required to stand for re-election pursuant to Article 16.2 of the Articles shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation under Article 16.19 of the Articles.

DIRECTORS' REPORT

Mr. YOU Linfeng was appointed as an independent non-executive Director on 4 December 2023. Pursuant to Article 16.2 of the Articles, he shall retire at the 2024 AGM and be subject to re-election.

Pursuant to Article 16.19 of the Articles, there should be 2 Directors who shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2024 AGM. Mr. LI Xiaodong and Ms. YANG Juan will retire from office and, being eligible, offer themselves for re-election at the 2024 AGM.

Accordingly, Mr. YOU Linfeng, Mr. LI Xiaodong and Ms. YANG Juan, who have consented to retire, shall retire from office and have offered themselves for re-election at the forthcoming 2024 AGM.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company as at the date of this annual report are set out on pages 12 to 16 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.

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 2023.

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 2023.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Company 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.

DIRECTORS' REPORT

The remuneration (including salaries, allowances, pension scheme contributions and other benefits) paid to the Directors in aggregate for the year ended 31 December 2023 was approximately RMB2.62 million.

The five highest paid individuals of our Group for the year ended 31 December 2023 included 1 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 4 highest paid individuals in aggregate for the year ended 31 December 2023 was approximately RMB3.42 million.

For the year ended 31 December 2023, 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 2023.

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 2023, 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 2023 and still remains in effect as at the date of this annual report. No indemnity was 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 2023.

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 2023, there were no matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

POST-IPO SHARE OPTION SCHEME

On 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 number of options available for grant under the Post-IPO Share Option Scheme at the beginning of the Reporting Period and at the end of the Reporting Period is 80,000,000 options. There is no service provider sublimit under the Post-IPO Option Scheme.

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 6 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.

DIRECTORS' REPORT

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

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

Long position in Shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital[(1)]
Mr. Zhai	Interest in a controlled corporation	300,600,000	38.22%
Ms. QIN Yi	Beneficial owner	1,604,800	0.20%

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 recorded 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	300,600,000	38.22%
Mr. Zhai	*(1)*	Interest in a controlled corporation	300,600,000	38.22%
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%

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) The percentage represents the number of ordinary shares interested as at 31 December 2023 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 2023, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed by this report, at no time during the year ended 31 December 2023 was the Company, its holding company, or any of the Company's and its holding company's 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 10.8% of the Group's total revenue from continuing operations. The Group's five largest customers accounted for approximately 33.9% of the Group's total revenue from continuing operations.

DIRECTORS' REPORT

During the Reporting Period, the Group's largest supplier accounted for approximately 17.8% of the Group's total purchases. The Group's five largest suppliers accounted for 49.1% 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 2023, the Group had 643 employees. The staff costs including Directors' emoluments were approximately RMB168.1 million in 2023.

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.

RETIREMENT BENEFITS SCHEME

The employees of the subsidiaries based in Mainland China are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the subsidiaries based in Mainland China 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. In addition, the Group participates in a defined contribution scheme (the "**MPF Scheme**") available to its Hong Kong employees in compliance with the Mandatory Provident Fund Schemes Ordinance. The Group's and employees' contributions to the MPF Scheme are based on a specified percentage of the employees' basic salaries and are required to be paid in accordance with the relevant rules.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in Note 40 to the consolidated financial statements contained herein. Among such related party transactions during the Reporting Period, the compensation paid to the Directors of the Company constituted connected transactions of the Company which are fully exempt according to Rule 14A.95 of the Listing Rules.

During the Reporting Period, 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 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 2023 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 ended 31 December 2022. EY has confirmed in its letter of resignation dated 26 July 2022 that there are no circumstances in connection 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 26 July 2022, the Board, with the recommendation from the Audit Committee, appointed CCTH CPA Limited as the new auditors of the Company with effect from 26 July 2022 to hold office until the conclusion of the next annual general meeting of the Company. On 9 June 2023, the Company passed an ordinary resolution at the 2022 AGM to re-appoint CCTH CPA Limited as the auditors of the Company. The consolidated financial statements of the Group for the year ended 31 December 2023 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, the Group has successively obtained ISO9001, ISO9000, 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 2023, the Group is in compliance with the applicable laws and regulations in all material respects.

EVENTS AFTER THE REPORTING PERIOD

On 28 March 2024, the Board proposed to amend the existing memorandum and articles of association of the Company to facilitate the electronic dissemination of corporate communications in accordance with the amended Listing Rules in relation to the expansion of paperless listing regime with effective from 31 December 2023, and to adopt the third amended and restated memorandum and articles of association of the Company. For details, please refer to the Company's announcement dated 28 March 2024.

For and on behalf of the Board

ZHAI Shuchun
Chairman

28 March 2024

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 100 to 198, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, 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 (Continued)

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 44% of the Group's total revenue. The contract assets derived from these revenue contracts accounted for about 11% of the Group's total assets as at 31 December 2023. 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 (Continued)

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 24 and Note 25 to the consolidated financial statements.

As at 31 December 2023, the Group's trade receivables and contract assets amounting to approximately RMB261,866,000 and RMB120,683,000 respectively (net of allowance for expected credit loss of approximately RMB43,317,000 and RMB820,000 respectively), accounted for about 23% and 13% 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 (Continued)

Key audit matters	How our audit addressed the key audit matters
Capitalisation of development costs	
Refer to Note 3.2, Note 4 and Note 19 to the consolidated financial statements.	
As at 31 December 2023, the Group's intangible assets include deferred development cost of approximately RMB84,034,000 (net of amortisation). During the year ended 31 December 2023, the Group capitalised development costs of approximately RMB31,021,000 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 capitalisation of 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.	Our procedures in relation to capitalisation of development costs included: • Obtaining an understanding of 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

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.

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 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- 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

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

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, 28 March 2024

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 2023

	Note	2023 RMB'000	2022 RMB'000
REVENUE	6	**245,495**	260,554
Cost of sales	9	**(208,404)**	(190,095)
Gross profit		**37,091**	70,459
Other income and gains	7	**10,569**	10,682
Changes in fair value of investment properties	17	**(21)**	–
Changes in fair value of equity investments at fair value through profit or loss		**4,271**	14,035
Changes in fair value of contingent consideration	33	**810**	(2,740)
Impairment losses under expected credit loss model, net of reversal		**(25,706)**	(9,386)
Impairment loss on investment in an associate		**(2,310)**	–
Selling and distribution expenses		**(13,979)**	(11,996)
Administrative expenses		**(36,942)**	(28,726)
Research and development expenses	9	**(42,315)**	(19,148)
Other expenses		**(1,294)**	(2,143)
Finance costs	8	**(1,323)**	(1,276)
Share of profits and losses of an associate		**178**	1,034
(LOSS)/PROFIT BEFORE TAX	9	**(70,971)**	20,795
Income tax credit/(expense)	10	**1,287**	(3,356)
(LOSS)/PROFIT FOR THE YEAR		**(69,684)**	17,439
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Revaluation surplus on transfer of owned properties to investment properties	17	**420**	–
Exchange differences arising on translation from functional currency to presentation currency		**5,642**	29,278
		6,062	29,278
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(995)**	470
Other comprehensive income for the year, net of tax		**5,067**	29,748
Total comprehensive (expense)/income for the year		**(64,617)**	47,187

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(69,159)**	17,488
– Non-controlling interests		**(525)**	(49)
		(69,684)	17,439
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(64,092)**	47,236
– Non-controlling interests		**(525)**	(49)
		(64,617)	47,187
		RMB cents	RMB cents
(Loss)/earnings per share			
Basic and diluted	*14*	**(8.79)**	2.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*15*	**16,912**	5,770
Right-of-use assets	*16(a)*	**29,357**	16,907
Investment properties	*17*	**11,105**	–
Goodwill	*18*	**36,724**	36,724
Intangible assets	*19*	**122,361**	130,045
Investment in an associate	*21*	**4,299**	6,431
Equity investments at fair value through profit or loss	*22*	**30,100**	25,700
Contract assets	*25*	**1,012**	3,852
Long-term deposits	*26*	**2,211**	1,777
Deferred tax assets	*31*	**694**	4,282
		254,775	231,488
CURRENT ASSETS			
Inventories	*23*	**2,169**	2,249
Trade receivables	*24*	**218,549**	206,190
Contract assets	*25*	**118,851**	113,178
Prepayments, deposits and other receivables	*26*	**10,471**	6,478
Amounts due from related parties	*40*	**12,316**	17,149
Pledged deposits	*27*	**96**	222
Bank balances and cash	*27*	**330,458**	414,250
		692,910	759,716
CURRENT LIABILITIES			
Trade payables	*28*	**71,741**	23,666
Contract liabilities	*29*	**14,412**	9,975
Other payables and accruals	*30*	**10,477**	9,257
Dividend payable	*13*	**28**	–
Interest-bearing bank borrowings	*32*	**8,005**	19,000
Lease liabilities	*16(b)*	**5,590**	2,585
Tax payable		**–**	5,297
		110,253	69,780
NET CURRENT ASSETS		**582,657**	689,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**837,432**	921,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*16(b)*	**23,783**	13,426
Contingent consideration	*33*	**21,000**	21,810
Deferred tax liabilities	*31*	**3,745**	3,577
		48,528	38,813
NET ASSETS		**788,904**	882,611
CAPITAL AND RESERVES			
Share capital	*34*	**5**	5
Reserves	*35*	**786,966**	880,148
Equity attributable to owners of the Company		**786,971**	880,153
Non-controlling interests		**1,933**	2,458
TOTAL EQUITY		**788,904**	882,611

The consolidated financial statements on pages 100 to 198 were approved and authorised for issue by the board of directors on 28 March 2024 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 2023

	Attributable to owners of the Company										
	Share capital RMB'000 *(Note 34)*	**Share premium** RMB'000 *(Note 35)*	**Merger reserve** RMB'000 *(Note 35)*	**Special reserve** RMB'000 *(Note 35)*	**Statutory surplus reserve** RMB'000 *(Note 35)*	**Exchange fluctuation reserve** RMB'000 *(Note 35)*	**Property revaluation reserve** RMB'000 *(Note 17)*	**Retained profits** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
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 37)*	–	–	–	(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
At 1 January 2023	**5**	**710,081***	**27,468***	**(4,847)***	**13,551***	**21,492***	**–**	**112,403***	**880,153**	**2,458**	**882,611**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(69,159)**	**(69,159)**	**(525)**	**(69,684)**
Revaluation surplus on transfer of owned properties to investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**420**	**–**	**420**	**–**	**420**
Exchange differences arising on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**5,642**	**–**	**–**	**5,642**	**–**	**5,642**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(995)**	**–**	**–**	**(995)**	**–**	**(995)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**4,647**	**420**	**(69,159)**	**(64,092)**	**(525)**	**(64,617)**
Dividend *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,090)**	**(29,090)**	**–**	**(29,090)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**492**	**–**	**–**	**(492)**	**–**	**–**	**–**
At 31 December 2023	**5**	**710,081***	**27,468***	**(4,847)***	**14,043***	**26,139***	**420***	**13,662***	**786,971**	**1,933**	**788,904**

* These reserve accounts comprise the consolidated reserves of RMB786,966,000 (2022: RMB880,148,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
(Loss)/profit before tax	(70,971)	20,795
Adjustments for:		
Finance costs	1,323	1,276
Interest income	(8,944)	(3,440)
Share of results of an associate	(178)	(1,034)
Waiver of trade payables	–	(1,306)
Changes in fair value of equity investments at fair value through profit or loss	(4,271)	(14,035)
Depreciation of property and equipment	3,099	2,159
Depreciation of right-of-use assets	7,347	4,804
Amortisation of intangible assets	43,247	19,432
Loss on disposal of property and equipment	1	–
Loss on disposal of an associate	–	17
Impairment losses recognised for trade receivables	26,673	9,173
Impairment losses (reversed)/recognised for contract assets	(967)	213
Impairment loss on investment in an associate	2,310	–
Changes in fair value of investment properties	21	–
Change in fair value of contingent consideration	(810)	2,740
Foreign exchange differences, net	906	1,827
	(1,214)	42,621
Increase in long-term deposits	(434)	(2,863)
Decrease in inventories	80	1,169
Increase in trade receivables	(39,032)	(16,811)
Increase in contract assets	(1,866)	(35,200)
(Increase)/decrease in prepayments, deposits and other receivables	(3,994)	8,486
Decrease/(increase) in amounts due from related parties	4,833	(1,207)
Decrease/(increase) in pledged deposits	126	(221)
Decrease in restricted bank deposits	–	24,522
Decrease in other current assets	–	1,041
Increase in trade payables	48,075	806
Increase/(decrease) in contract liabilities	4,437	(877)
Increase/(decrease) in other payables and accruals	1,220	(6,575)
Cash from operations	12,231	14,891
Income tax paid	(1,159)	(3,059)
Interest paid	(72)	(894)
Interest received	8,944	3,440
Interest element of rental payments	(1,251)	(382)
NET CASH FROM OPERATING ACTIVITIES	18,693	13,996

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Purchases of property and equipment		(24,948)	(3,326)
Additions to intangible assets		(35,563)	(86,016)
Proceeds from disposal of an associate		–	4,000
Proceeds from disposal of property and equipment		–	7
Purchase of equity investments at fair value through profit or loss		–	(9,385)
Net cash outflow on acquisition of subsidiaries	36	–	(58,356)
Net cash outflow on disposal of a subsidiary	37	–	(5,082)
NET CASH USED IN INVESTING ACTIVITIES		(60,511)	(158,158)
FINANCING ACTIVITIES			
Dividends paid		(29,062)	–
New bank borrowings raised		8,005	15,000
Repayment of bank borrowings		(19,000)	(5,000)
Repayment of principal portion of lease liabilities		(6,435)	(4,767)
Capital contribution from non-controlling shareholders of subsidiary		–	1,000
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(46,492)	6,233
NET DECREASE IN CASH AND CASH EQUIVALENTS		(88,310)	(137,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		414,250	524,258
Effect of foreign exchange rate changes, net		4,518	27,921
CASH AND CASH EQUIVALENTS AT END OF YEAR		330,458	414,250
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY:			
Bank balances and cash		330,458	414,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Newlink Technology Inc. (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 8 November 2019 with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 January 2021. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company's principal place of business in Hong Kong is room 2910, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, and the headquarters and principal place of business in the People's Republic of China (hereafter, the "PRC") is 5/F., Tower A, Xueqing Jiachuang Building, Xueqing Road, Haidian District, Beijing, in the PRC.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of software development and maintenance in the PRC.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Nebula SC Holdings Limited, a company incorporated in British Virgin Islands, while the ultimate beneficial owner of the Company is Mr. Zhai Shuchun ("Mr. Zhai"), the executive director of the Company.

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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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 2023

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of the amendments, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of the amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of the amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The change does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Amendments to HKAS 12 Income Taxes International Tax Reform– Pillar Two model Rules

The Group has adopted Amendments to HKAS 12 for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong (Continued)

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pretransition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Based on management's assessment, the change has had no material impact on the Group's financial positions and performance.

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[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 21 Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 investment properties and 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.

3.2 Material accounting policy information

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

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

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, other than business combination under common control 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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Business combinations (Continued)

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* and HKAS 19 *Employee Benefits* respectively;

- 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, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Business combinations (Continued)

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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).

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 financial statements using the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Investments in associates (Continued)

Under the equity method, an investment in an associate is recognised initially 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. 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.

If there is objective evidence that the Group's net investment in an associate is impaired, the requirements of HKAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, 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 in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part 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) when the associate is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Investments in associates (Continued)

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 Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue recognition (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue recognition (Continued)

Software development services (Continued)

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.

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.

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

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.

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term except for investment properties measured under fair value model.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Foreign currencies (Continued)

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.

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.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Property and equipment (Continued)

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

Buildings	Over the shorter of the term of the lease, or 20 years
Electronic equipment and furniture	20%
Leasehold improvements	Over the shorter of the term of the lease, 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.

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.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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.

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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

At each reporting date, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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:

<u>Financial liabilities at amortised cost (loans and borrowings)</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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.

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward 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 carry forward 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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Income tax (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

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.

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 2023

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, 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Continued)

Revenue from contracts with customers (Continued)

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).

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 24 and 25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Continued)

Development costs

Development costs are capitalised in accordance with the material accounting policy information 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 2023, the carrying amount of deferred development costs included in intangible assets was RMB84,034,000 (2022: RMB82,488,000).

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. Deferred development costs not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired. 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 20 for further disclosures.

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 20.

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 19 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 19 for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Continued)

Fair values of investment properties

At the end of the reporting period, the Group's investment properties are carried at a total fair value of RMB11,105,000 (2022: nil) based on the valuation performed by independent qualified professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 17.

In relying on the valuation report, the directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. OPERATING SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating and reporting segment focusing primarily on the provision of IT solution services in Mainland China. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "CODM"), being the executive directors of the Company. The CODM mainly reviews revenue derived from provision of software development services, technical and maintenance services and sale of standard software, which are measured in accordance with the Group's accounting policies. The financial information reported to the CODM is reflected through the overall operating performance of the Group for resource allocation and performance evaluation. Accordingly, no segment information is presented.

Geographical information

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

Information about major customers

Aggregated revenue of approximately RMB26,630,000 was derived from the following single customer, which individually accounted for more than 10% of the Group's total revenue (2022: No revenue was derived from a single customer of the Group, which accounted for more than 10% of the Group's total revenue).

	2023	2022
	RMB'000	RMB'000
Customer 1	**26,630**	*
Customer 2	*****	*
Customer 3	*****	*

* 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 2023

6. REVENUE

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	RMB'000
Types of goods or services		
Software development services	**179,490**	167,241
Technical and maintenance services	**37,644**	50,597
Sale of standard software	**28,361**	42,716
Total revenue from contracts with customers	**245,495**	260,554
Timing of revenue recognition		
Goods transferred at a point in time	**28,361**	42,716
Services transferred over time	**217,134**	217,838
Total revenue from contracts with customers	**245,495**	260,554

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:

	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software development services	**3,855**	270
Technical and maintenance services	**2,097**	82
	5,952	352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023	2022
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**55,543**	57,635
After one year	**20,273**	2,517
	75,816	60,152

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 2023

7. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
Bank interest income	**8,944**	3,440
Rental income	**332**	–
Value Added Tax ("VAT") refunds and other tax subsidies *(Note)*	**1,234**	5,798
Waiver of trade payables	**–**	1,306
Others	**59**	138
	10,569	10,682

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

	2023 RMB'000	2022 RMB'000
Interest expense on interest-bearing bank borrowings	**72**	894
Interest on lease liabilities *(Note 16(b))*	**1,251**	382
	1,323	1,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. (LOSS)/PROFIT BEFORE TAX

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

	Note	2023 RMB'000	2022 RMB'000
Cost of inventories sold and services rendered		**208,404**	190,095
Research and development expenses:			
Deferred expenditure amortised *(Note (i))*	*19*	**29,475**	8,101
Current year expenditure		**12,840**	11,047
		42,315	19,148
Employee benefit expense (including directors' and chief executives' remuneration):	*11*		
Wages and salaries		**143,442**	102,747
Pension scheme contributions (defined contribution scheme) *(Note (ii))*		**24,662**	16,981
		168,104	119,728
Auditors' remuneration		**1,530**	1,500
Gross rental income from investment properties		**(332)**	–
Less: direct operating expenses for investment properties that generated rental income during the year		**19**	–
direct operating expenses for investment properties that did not generated rental income during the year		**49**	–
Net rental income		**(264)**	–
Depreciation of property and equipment	*15*	**3,099**	2,159
Depreciation of right-of-use assets	*16(a)*	**7,347**	4,804
Amortisation of intangible assets *(Note (i))*	*19*	**43,247**	19,432
Impairment losses recognised for trade receivables	*24*	**26,673**	9,173
Impairment losses (reversed)/recognised for contract assets	*25*	**(967)**	213
Impairment loss on investment in an associate	*21*	**2,310**	–
Loss on disposal of an associate		**–**	17
Foreign exchange differences, net *(Note (iii))*		**906**	1,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

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.

10. INCOME TAX (CREDIT)/EXPENSE

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

	2023	2022
	RMB'000	RMB'000
Current income tax:		
Hong Kong	**(599)**	572
PRC Enterprise Income Tax ("EIT")	**(4,439)**	3,625
	(5,038)	4,197
Deferred tax *(Note 31)*	**3,751**	(841)
	(1,287)	3,356

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 EIT Law and the respective regulations, the subsidiaries in Mainland China are subject to income tax at a statutory rate of 25% during the period, except for certain subsidiaries which obtained the "High and New Technology Enterprise" qualification with preferential tax rate of 15% (2022: 15%).

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%. During the years ended 31 December 2023 and 2022, no provision for Hong Kong Profits Tax has been made since no assessable profits has been generated by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The income tax (credit)/expense for the year can be reconciled to the (loss)/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:

	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax	**(70,971)**	20,795
Tax at the statutory tax rate	**(17,742)**	5,199
Effect of different tax rates for subsidiaries operating in other jurisdictions	**5,252**	(3,608)
Tax effect of expenses not deductible for tax purposes	**4,468**	2,141
Tax effect of income not taxation for tax purpose	**(2,779)**	(1,660)
Recognition/utilisation of previously unrecognised temporary differences/tax losses	**11,833**	2,501
Super deduction for research and development expenses	**(2,319)**	(1,217)
Income tax (credit)/expense for the year	**(1,287)**	3,356

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 2023, 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 RMB39,133,000 as at 31 December 2023 (2022: RMB120,486,000).

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 200% of the research and development expenses from 1 January 2023 to 31 December 2023 as tax deductible expense (from 1 January 2018 to 31 December 2022: 175%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each director and chief executive for the years ended 31 December 2023 and 2022, 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 2023

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)*	–	1,326	–	121	1,447
Ms. Qin Yi	–	626	–	78	704
Mr. Li Xiaodong	–	124	–	21	145
	–	2,076	–	220	2,296
Independent non-executive directors:					
Mr. Tang Baoqi	108	–	–	–	108
Mr. Ye Jinfu *(Note (a))*	100	–	–	–	100
Mr. You Linfeng *(Note (a))*	8	–	–	–	8
Ms. Yang Juan	108	–	–	–	108
	324	–	–	–	324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

For the year ended 31 December 2022

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)*	–	926	–	116	1,042
Ms. Qiao Huimin *(Note (b))*	–	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:

(a) Ms. Ye Jinfu was resigned as independent non-executive director on 4 December 2023 and Mr. You Linfeng was appointed as independent non-executive director on 4 December 2023.

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

(c) Ms. Yang Juan was appointed as independent non-executive director on 30 November 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023 and 2022.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2022: one directors), details of whose emoluments are set out in Note 11 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,295	2,036
Pension scheme contributions	384	406
Bonus	744	940
	3,423	3,382

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	
	2023	2022
Nil to HK$1,000,000 (equivalent to approximately RMB900,000)	3	4
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB900,001 to RMB1,350,000)	1	–

During the years ended 31 December 2023 and 2022, 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 2023

13. DIVIDENDS

No dividend in respect of the year ended 31 December 2023 was proposed, approved or paid during the year ended 31 December 2023.

Subsequent to the end of the year ended 31 December 2022, a final dividend in respect of the year ended 31 December 2022 of HK$0.04 (equivalent to RMB0.037) per ordinary share, in an aggregate amount of HK$31,461,000 (equivalent to RMB29,090,000), has been proposed by the directors of the Company and the proposed resolution was passed by the shareholders by way of poll as required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited on 9 June 2023. During the year, the final dividend amounting to HK$31,368,000 (equivalent to RMB29,062,000) in aggregated was paid to the shareholders.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

(Loss)/earnings

	2023	2022
	RMB'000	RMB'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of calculation of basic and diluted (loss)/earnings per share	**(69,159)**	17,488

Number of shares

	2023	2022
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted (loss)/earnings per share	**786,514,400**	786,514,400

No diluted loss per share has been presented for both years as there were no potential dilutive ordinary shares in issue.

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For the year ended 31 December 2023

15. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Electronic equipment and furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST				
At 1 January 2022	–	4,112	5,322	9,434
Additions	–	3,124	202	3,326
Acquired on acquisition of subsidiaries *(Note 36)*	–	383	–	383
Disposals	–	(20)	–	(20)
Disposed on disposal of a subsidiary *(Note 37)*	–	(76)	–	(76)
At 31 December 2022 and 1 January 2023	–	7,523	5,524	13,047
Additions	23,347	904	697	24,948
Disposals	–	(21)	–	(21)
Transferred to investment properties	(10,968)	–	–	(10,968)
At 31 December 2023	12,379	8,406	6,221	27,006
ACCUMULATED DEPRECIATION				
At 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 37)*	–	(15)	–	(15)
At 31 December 2022 and 1 January 2023	–	2,737	4,540	7,277
Provided for the year	808	1,331	960	3,099
Eliminated on disposals	–	(20)	–	(20)
Transferred to investment properties	(262)	–	–	(262)
At 31 December 2023	546	4,048	5,500	10,094
CARRYING VALUES				
At 31 December 2023	11,833	4,358	721	16,912
At 31 December 2022	–	4,786	984	5,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

Buildings	Over the shorter of the term of the lease, or 20 years
Electronic equipment and furniture	20%
Leasehold improvements	Over the shorter of the term of the lease, or 20%

During the year, a Group's owned property with net carrying amount of RMB10,706,000 (2022: nil) were transferred to investment property upon commencement of an operation lease to an independent third party. Fair value of the owner-occupied properties at the date of transfer amounted to RMB11,126,000 (2022: nil), and a surplus on revaluation of RMB420,000 (2022: nil) was credited to property revaluation reserve.

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:

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**16,907**	6,480
Additions	**19,797**	15,231
Depreciation charge *(Note 9)*	**(7,347)**	(4,804)
At the end of the year	**29,357**	16,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	**16,011**	5,547
New leases	**19,797**	15,231
Accretion of interest recognised during the year *(Note 8)*	**1,251**	382
Payments	**(7,686)**	(5,149)
Carrying amount at 31 December	**29,373**	16,011
Classified as:		
Current liabilities	**5,590**	2,585
Non-current liabilities	**23,783**	13,426
	29,373	16,011

The maturity analysis of lease liabilities is disclosed in Note 43 to the financial statements.

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

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities *(Note 8)*	**1,251**	382
Depreciation of right-of-use assets *(Note 9)*	**7,347**	4,804
Expense relating to short-term leases (included in cost of sales, administrative expenses, selling and distribution expenses, and research and development expenses)	**2,167**	943
Total amount recognised in profit or loss	**10,765**	6,129

The total cash outflow for leases is disclosed in Note 38 to the consolidated financial statements.

The Group has various contracted, but not provided short-term lease commitments. The future lease payments for these non-cancellable lease contracts are approximately RMB652,000 (2022: RMB491,000) due within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
At fair value		
At beginning of the year	–	–
Transferred from property and equipment	11,126	–
Decrease in fair value recognised in profit or loss	(21)	–
At end of the year	11,105	–

The Group leases out various offices and carparks under operating leases with rentals receivable monthly. The leases typically run for an initial period of 2 years, with unilateral rights to extend the lease beyond the initial period given to lessees only. A majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties.

In determining the fair value of the relevant properties, the Group engages independent qualified professional valuers to perform the valuation. The management of the Company works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

During the year, an owned-properties have become investment properties because the Group had rented out the properties to an independent third party to earn rentals. Accordingly, the carrying amount of these owner-occupied properties have been transferred from property and equipment to investment properties. The fair value at the date of transfer amounting to RMB11,126,000 (2022: nil) had been arrived at on the basis of valuation carried out by Asia-Pacific Consulting and Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value over the carrying amounts at the date of transfer amounting to RMB420,000 (2022: nil) is recognised in property revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties as at 31 December 2023 amounting to RMB11,105,000 (2022: nil) have been arrived at on the basis of valuations carried out on that date by Asia-Pacific Consulting and Appraisal Limited, independent qualified professional valuers, not connected to the Group. The fair values of the investment properties were determined based on the direct comparison approach by reference to the comparable sale transactions as available in the relevant market. Market comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The revaluation gave rise to a loss arising from changes in fair value of RMB21,000 (2022: nil) which has been included in the consolidated statement of profit or loss and other comprehensive income.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship unobservable inputs to fair value
	2023 RMB'000	2022 RMB'000				
Office property located in Chengdu, Mainland China	**9,664**	–	Level 3	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB12,941 to RMB14,563 per square metre ("sqm") (2022: nil)	An increase in the market unit rate used would result in an increase in fair value, and vice versa.
Car parks spacing located in Chengdu, Mainland China	**1,441**	–	Level 3	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB137,255 to RMB174,471 each (2022: nil)	An increase in the market unit rate used would result in an increase in fair value, and vice versa.

There were no transfers into or out of Level 3 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. GOODWILL

	RMB'000
COST	
At 1 January 2022	–
Recognised on acquisition of subsidiaries (Note 36)	54,970
Derecognised on disposal of a subsidiary (Note 37)	(18,246)
At 31 December 2022 and **at 31 December 2023**	**36,724**
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2022, 31 December 2022 and **31 December 2023**	–
CARRYING AMOUNT	
At 31 December 2023	**36,724**
At 31 December 2022	36,724

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INTANGIBLE ASSETS

	Software licenses RMB'000	Deferred development costs RMB'000	Total RMB'000
COST			
At 1 January 2022	38,555	26,527	65,082
Acquired on acquisition of subsidiaries *(Note 36)*	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 37)*	–	(12,000)	(12,000)
At 31 December 2022 and 1 January 2023	**68,952**	**93,450**	**162,402**
Additions – acquired	**4,542**	**–**	**4,542**
Additions – internal development	**–**	**31,021**	**31,021**
At 31 December 2023	**73,494**	**124,471**	**197,965**
ACCUMULATED AMORTISATION			
At 1 January 2022	10,064	2,861	12,925
Provided for the year	11,331	8,101	19,432
At 31 December 2022 and 1 January 2023	**21,395**	**10,962**	**32,357**
Provided for the year	**13,772**	**29,475**	**43,247**
At 31 December 2023	**35,167**	**40,437**	**75,604**
CARRYING VALUES			
At 31 December 2023	**38,327**	**84,034**	**122,361**
At 31 December 2022	47,557	82,488	130,045

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 2023

19. INTANGIBLE ASSETS (CONTINUED)

At 31 December 2023, the carrying amount of deferred development costs that are not yet available for use amounted to approximately RMB22,740,000 (2022: approximately RMB51,411,000). The deferred development costs that are not yet available for use will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 20.

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives for which the impairment is assessed individually

The recoverable amount of deferred development costs that are not yet available for use with carrying amount of approximately RMB15,915,000 (2022: approximately RMB40,841,000) is estimated individually. The recoverable amount of the deferred development costs that are not yet available for use has been determined based on its fair value less cost of disposal. The fair value less cost of disposal is estimated using the Relief-from-Royalty method which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the relevant asset. Key assumptions used in the valuation included projected future sales over a period of 5 years with a terminal value, royalty rate of 10% (2022: 14%) and a discount rate of 14% (2022: 13%). The carrying amount of deferred development costs that are not yet available for use does not exceed the recoverable amount based on fair value less costs of disposal and no impairment has been recognised.

Intangible assets with indefinite useful lives for which the impairment is assessed based on cash-generating unit to which the assets and the goodwill belong

For the purposes of impairment testing, goodwill and deferred development costs that are not yet available for use set out in Note 18 and 19 that arose on the acquisition of Neusoft Yuetong are allocated to one cash-generated unit. The carrying amounts of goodwill and deferred development costs that are not yet available for use is as follows:

	31 December 2023		31 December 2022	
	Goodwill RMB'000	**Deferred development costs that are not yet available for use RMB'000**	Goodwill RMB'000	Deferred development costs that are not yet available for use RMB'000
Neusoft Yuetong	**36,724**	**6,825**	36,724	10,570

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20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Intangible assets with indefinite useful lives for which the impairment is assessed based on cash-generating unit to which the assets and the goodwill belong (Continued)

The recoverable amount of the cash-generated unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The key assumptions, revenue growth rate of forecast period and pre-tax discount rate used for value-in-use calculations are as follows:

	Neusoft Yuetong
Revenue growth rate of forecast period	
31 December 2023	**5%-20%**
31 December 2022	5%-30%
Pre-tax discount rate	
31 December 2023	**16%**
31 December 2022	16%

Management determined the revenue growth rate based on past performance, expectations regarding market development, and the business model the entity undertakes. The discount rates used are pre-tax and reflect specific risks relating to cash-generated unit.

The recoverable amount of the cash-generated unit based on the estimated value-in-use calculations was higher than the carrying amounts (including goodwill and deferred development costs that are not yet available for use) at 31 December 2023 and 31 December 2022. Accordingly, no provision for impairment loss for goodwill or deferred development costs that are not yet available for use is considered necessary.

As of 31 December 2023, the recoverable amount of Neusoft Yuetong calculated based on value-in-use exceeded carrying amount by approximately RMB9,565,000 (2022: approximately RMB18,450,000). Had revenue for a five-year period been 5% lower or the pre-tax discount rate been 1% higher, the remaining headroom of Neusoft Yuetong would be decreased to approximately RMB6,565,000 and approximately RMB2,565,000 respectively (2022: approximately RMB15,450,000 and approximately RMB10,450,000 respectively).

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21. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Cost of investment in associates	6,431	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	178	1,034
Impairment loss recognised	(2,310)	–
Share of net assets	4,299	6,431

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 2023	2022	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 2022	35	35	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.

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 2023

21. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Beijing Heshun

	2023 RMB'000	2022 RMB'000
Current assets	**11,547**	9,419
Non-current assets	**4,230**	11,416
Current liabilities	**3,495**	2,462
Non-current liabilities	**–**	–
Revenue	**23,356**	7,374
Profit for the year	**507**	2,954
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**507**	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:

	2023 RMB'000	2022 RMB'000
Net assets of Beijing Heshun	**12,282**	18,373
Proportion of the Group's ownership interest in Beijing Heshun	**35%**	35%
The Group' share of net assets of Beijing Heshun	**4,299**	6,431

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For the year ended 31 December 2023

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity investments, at fair value		
Beijing Fuhuajiaxin Business Incubator Company Limited ("Fuhuajiaxin") *(Note (i))*	**21,600**	18,400
Advanced Biomed Inc. ("Biomed") *(Note (ii))*	**8,500**	7,300
Non-current assets *(Note (iii))*	**30,100**	25,700

Notes:

(i) The unlisted equity investment of Fuhuajiaxin represented the Group's equity interests in a private equity which is engaged in providing services for the incubation of technological innovation enterprises in China. At 31 December 2023, the fair value of the unlisted equity investment of Fuhuajiaxin was derived based on market approach. The valuation was carried out by Asia-Pacific Consulting and Appraisal Limited, an independent firm of qualified professional valuer not connected with the Group.

(ii) The unlisted equity investment of Biomed represented the Group's equity interests in a private equity which is engaged in the research and development, production, and sale of in vitro diagnostic products in United State of America. At 31 December 2023, the fair value of the unlisted equity investment of Biomed was derived based on market approach. The valuation was carried out by Asia-Pacific Consulting and Appraisal Limited, an independent firm of qualified professional valuer not connected with the Group.

(iii) The directors of the Company had elected to designate these investments in equity investments at fair value through profit or loss.

23. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	**2,169**	2,249

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24. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	261,866	222,834
Less: allowance for expected credit loss ("ECL")	(43,317)	(16,644)
	218,549	206,190

As at 1 January 2022, trade receivables from contracts with customers amounted to approximately RMB178,724,000.

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.

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

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24. TRADE RECEIVABLES (CONTINUED)

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:

	2023 RMB'000	2022 RMB'000
Within 90 days	38,518	31,374
91 to 180 days	13,686	31,609
181 days to 365 days	33,610	54,092
1 year to 2 years	76,845	62,540
2 years to 3 years	49,955	26,575
Over 3 years	5,935	–
	218,549	206,190

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

	2023 RMB'000	2022 RMB'000
Balance as at 1 January	16,644	5,863
Arising on acquisition of subsidiaries	–	1,608
Allowance for ECL recognised during the year	26,673	9,173
Balance as at 31 December	43,317	16,644

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.

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24. TRADE RECEIVABLES (CONTINUED)

31 December 2023	**Amount RMB'000**	**ECL rate**	**Allowance for ECL RMB'000**
Trade receivables aged:			
Within 180 days	**52,566**	**0.69%**	**362**
181 days to 365 days	**33,853**	**0.72%**	**243**
1 to 2 years	**81,570**	**5.79%**	**4,726**
2 to 3 years	**67,259**	**25.73%**	**17,304**
Over 3 years	**26,618**	**77.70%**	**20,682**
	261,866		**43,317**

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 365 days	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

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25. CONTRACT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets	**120,683**	118,817	66,676
Less: allowance for ECL	**(820)**	(1,787)	(1,574)
	119,863	117,030	65,102
Classified as:			
Current assets	**118,851**	113,178	64,066
Non-current assets	**1,012**	3,852	1,036
	119,863	117,030	65,102

The amount of contract assets expected to be recovered after more than one year is RMB1,012,000 (2022: RMB3,852,000), 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 2023 and 2022 were the result of the increase in software development services at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. CONTRACT ASSETS (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Balance as at 1 January	1,787	1,574
(Reversal of)/allowance of ECL recognised during the year	(967)	213
Balance as at 31 December	820	1,787

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:

	2023	2022
ECL rate	0.68%	1.50%
Gross carrying amount (RMB'000)	120,683	118,817
Allowance of ECL (RMB'000)	820	1,787

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	**2,631**	1,628
Deposits	**2,211**	1,777
Deposits and other receivables	**7,840**	4,850
	12,682	8,255
Classified as:		
Current assets	**10,471**	6,478
Non-current assets	**2,211**	1,777
	12,682	8,255

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

	2023 RMB'000	2022 RMB'000
Bank balances and cash, restricted bank deposits and pledged deposits	**330,554**	414,472
Less:		
Pledged deposits	**(96)**	(222)
Cash and cash equivalents per the consolidated statement of cash flows	**330,458**	414,250
Denominated in:		
RMB	**120,967**	180,105
US$	**180,001**	688
HK$	**29,586**	233,679

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.

28. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**31,979**	3,854
3 to 6 months	**5,248**	1,667
6 months to 1 year	**16,854**	2,537
Over 1 year	**17,660**	15,608
	71,741	23,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. 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 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Software development services	11,312	8,557	485
Technical and maintenance services	3,100	1,418	131
	14,412	9,975	616

Contract liabilities include short-term advances received to provide software development services and technical and maintenance services. The increase in contract liabilities in 2023 and 2022 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.

30. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other payables	3,247	2,721
Accrued staff costs	1,215	4,370
Other tax payables	6,015	2,166
	10,477	9,257

31. 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:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	694	4,282
Deferred tax liabilities	(3,745)	(3,577)
	(3,051)	705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. 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 RMB'000	ECL provisions RMB'000	Fair value adjustments on equity investments RMB'000	Total RMB'000
At 31 December 2022	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
Charge to profit or loss	(331)	(2,767)	(658)	(3,756)
At 31 December 2023	**(980)**	**694**	**(2,765)**	**(3,051)**

The Group has tax losses arising in Mainland China of RMB84,155,000 (2022: RMB12,178,000) 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.

32. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**3.85**	**2024**	**8,005**	3.55-4.6	2023	19,000

	2023 RMB'000	2022 RMB'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**8,005**	19,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. CONTINGENT CONSIDERATION

	RMB'000
At 1 January 2022	–
Arising on acquisition of subsidiaries *(Note 36)*	30,810
Fair value change recognised in profit or loss	2,740
Disposal of a subsidiary *(Note 37)*	(11,740)
At 31 December 2022 and 1 January 2023	21,810
Fair value change recognised in profit or loss	(810)
At 31 December 2023	21,000

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 36).

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 qualified professional valuers not connected to the Group, at 31 December 2023, using the income approach. Included in profit or loss for the year was RMB810,000 decrease in fair value of contingent consideration at 31 December 2023 (from 14 July 2022 to 31 December 2022: RMB2,740,000).

34. SHARE CAPITAL

	2023 RMB'000	2022 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 2023

34. 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
As at 31 December 2022, 1 January 2023 and 31 December 2023	786,514,400	0.000001	787	5

* Less than RMB1,000.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2023 are presented in the consolidated statement of changes in equity on page 104 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. RESERVES (CONTINUED)

(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.

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 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 and 1 January 2023	710,081	48,470	(14,993)	743,558
Translation from functional currency to presentation currency	–	13,351	–	13,351
Profit for the year	–	–	17,226	17,226
Total comprehensive income for the year	–	13,351	17,226	30,577
Dividend	–	–	(29,090)	(29,090)
At 31 December 2023	**710,081**	**61,821**	**(26,857)**	**745,045**

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36. 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

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36. 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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36. 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 33)*	19,070
	67,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. 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.

For the year ended 31 December 2023, Neusoft Yuetong contributed RMB73,425,980.09 and RMB4,645,596.76 to the Group's revenue and profit respectively.

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For the year ended 31 December 2023

36. 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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36. 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 33)*	11,740
	29,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. 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 37).

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.

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37. 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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37. 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 36(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.

38. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB19,797,000 (2022: RMB15,231,000), in respect of lease arrangements for office buildings.

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

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000
At 1 January 2022	5,547	5,000
Changes from financing cash flows	(4,767)	10,000
Acquisition of subsidiaries *(Note 36)*	–	4,000
New leases entered	15,231	–
Interest on lease liabilities	382	–
Interest paid classified as operating cash flows	(382)	–
At 31 December 2022 and 1 January 2023	16,011	19,000
Changes from financing cash flows	(6,435)	(10,995)
New leases entered	19,797	–
Interest on lease liabilities	1,251	–
Interest paid classified as operating cash flows	(1,251)	–
At 31 December 2023	**29,373**	**8,005**

(c) Total cash outflow for leases

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

	2023 **RMB'000**	2022 RMB'000
Within operating activities	**1,251**	382
Within financing activities	**6,435**	4,767
	7,686	5,149

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39. COMMITMENTS

Lease commitments

At the end of the reporting period, the lease commitments for short-term lease are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**652**	491

Capital commitments

	2023 **RMB'000**	2022 RMB'000
Contracted but not provided for		
– Acquisition of property and equipment	**–**	23,500

40. 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

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For the year ended 31 December 2023

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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 2023 and 2022:

(a) Transactions with parties

Related parties	Nature of transactions	2023 RMB'000	2022 RMB'000
Guanruitong	Disposal of a subsidiary *(Note b(ii))*	–	13,840
	Interest income related to disposal of a subsidiary *(Note 37)*	381	–
Fuhua Investment	Purchase of equity investment *(Note b(i))*	–	2,280
		381	16,120

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

(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 37.

(c) Amounts due from related parties

The amounts due are unsecured, interest-free and repayable on demand, except for the amount due from Guanruitong of approximately RMB9,227,000 (2022: RMB13,841,000) was unsecured, carry interest rate of three-year fixed deposits of People's Bank of China and repayable in three installments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Amounts due from related parties (Continued)

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

	31 December 2023 RMB'000	Maximum amount outstanding during the year RMB'000	31 December 2022 RMB'000
Guanruitong	**11,455**	16,069	16,069
Beijing Heshun	**861**	1,080	1,080
	12,316	17,149	17,149

(d) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**2,076**	2,371
Pension scheme contributions	**220**	260
Fees	**324**	309
	2,620	2,940

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

41. 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:

	2023 **RMB'000**	2022 RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Equity investments at fair value through profit or loss	**30,100**	25,700
Financial assets at amortised cost:		
Trade receivables	**218,549**	206,190
Deposits and other receivables	**7,840**	4,850
Long term deposits	**2,211**	1,777
Amounts due from related parties	**12,316**	17,149
Pledged deposits	**96**	222
Bank balances and cash	**330,458**	414,250
	601,570	670,138

	2023 **RMB'000**	2022 RMB'000
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Contingent consideration	**21,000**	21,810
Financial liabilities at amortised cost:		
Trade payables	**71,741**	23,666
Other payables and accruals	**3,247**	2,721
Interest-bearing bank borrowings	**8,005**	19,000
Lease liabilities	**29,373**	16,011
	133,366	83,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023, 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, 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 management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management of the Group analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

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

The follow table presents financial instruments measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial instruments into the three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the financial instruments is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

The financial instruments measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2023 RMB'000	2022 RMB'000			
Financial assets at FVTPL					
Unlisted equity investments	**30,100**	25,700	Level 3	Market approach – in this approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable.	Price-to-sales ratio, taking into account management's experience and knowledge of market conditions of the comparable companies with their revenue from the same or similar industry, ranging from 4.96x to 10.77x (2022: 3.74x to 7.21x). *(Note 1)* Market index change of 17% Discount for lack of marketability of 15.7% (2022: 15.8%). *(Note 1)*
Financial liabilities at FVTPL					
Contingent consideration	**21,000**	21,810	Level 3	Scenario analysis method – is a process of examining and evaluating possible events or scenarios that could take place in the future and predicting the various feasible results or possible outcomes.	Discount rate of 14% (2022: 15%) *(Note 2)* Probability-adjusted revenues and profits, with a range from RMB216,654,000 (2022: RMB219,735,000) to 234,298,000 (2022: 268,564,000) and a range From RMB5,061,000 (2022: RMB8,855,000) to RMB6,459,000 (2022: RMB10,823,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Note 1: An increase in the price-to-sales ratio used in isolation would result in an increase in the fair value measurement of the unlisted equity investments, and vice versa. A 5% increase in the price-to-sales ratio holding all other variables constant would increase the carrying amount of the shares by RMB900,000 (2022:RMB1,200,000). An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the unlisted equity investments, and vice versa.

Note 2: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the contingent consideration by RMB270,000 (2022: RMB420,000).

There were no transfers between Level 1 and 2 from/to 3 during both years.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000	**Financial liabilities at FVTPL** RMB'000
At 1 January 2022	2,280	–
Purchased	9,385	–
Acquisition of subsidiaries *(Note 36)*	–	30,810
Disposal of a subsidiary *(Note 37)*	–	(11,740)
Fair value changes	14,035	2,740
At 31 December 2022 and 1 January 2023	25,700	21,810
Fair value changes recognised in profit or loss	4,271	(810)
Exchange adjustments	129	–
At 31 December 2023	**30,100**	**21,000**

43. 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, 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 directors of the Company reviews and agrees policies for managing these risks and they are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. 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	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2023			
If the RMB strengthens against the US$	**(5%)**	**(9,000)**	**(8,995)**
If the RMB weakens against the US$	**5%**	**9,000**	**8,995**
If the RMB strengthens against the HK$	**(5%)**	**–**	**(1,479)**
If the RMB weakens against the HK$	**5%**	**–**	**1,479**
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

Credit risk

The credit risk of the Group's financial assets, which comprise 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 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 24 and 26 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. 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.

	2023 %	2022 %
Percentage of total trade receivables due from:		
Group's five largest trade debtors	**35**	30

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 2022 and 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023	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	**2,211**	–	–	–	**2,211**
Contract assets *(Note (i))*	–	–	–	**120,683**	**120,683**
Trade receivables *(Note (i))*	–	–	–	**261,866**	**261,866**
Deposits and other receivables					
– Normal *(Note (ii))*	**7,840**	–	–	–	**7,840**
Amounts due from related parties					
– Normal *(Note (ii))*	**12,316**	–	–	–	**12,316**
Pledged deposits	**96**	–	–	–	**96**
Bank balances and cash – Not yet past due	**330,458**	–	–	–	**330,458**
	352,921	–	–	**382,549**	**735,470**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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

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 24 and 25 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 2023

43. 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:

	2023					
	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	**31,979**	**5,248**	**16,854**	**3,981**	**13,679**	**71,741**
Other payables and accruals	**3,247**	**–**	**–**	**–**	**–**	**3,247**
Interest-bearing bank borrowings	**–**	**8,313**	**–**	**–**	**–**	**8,313**
Lease liabilities	**–**	**1,820**	**3,994**	**6,827**	**18,142**	**30,783**
	35,226	**15,381**	**20,848**	**10,808**	**31,821**	**114,084**

	2022					
	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	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. 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:

	2023 **RMB'000**	2022 RMB'000
Total assets	**947,685**	991,204
Total liabilities	**158,781**	108,593
Asset-liability ratio	**17%**	11%

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For the year ended 31 December 2023

44. 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
上海新紐益泰科技有限公司 Shanghai Newlink Yitai Technology Co., Ltd.* ("Shanghai Newlink")	The PRC	RMB10,000,000	–	100	Inactive

* 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

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.

(iv) Shanghai Newlink was established and incorporated on 4 August 2023 in the PRC.

45. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and elsewhere in these consolidated financial statements, the Group had no material events occurred subsequent to 31 December 2023 and up to the date of approval of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investment in a subsidiary	–*	–*
Equity investment at fair value through profit or loss	8,500	7,300
	8,500	7,300
Current assets		
Prepayments, deposits and other receivables	423	1,275
Amounts due from subsidiaries	541,634	514,514
Bank balances and cash	207,303	233,197
	749,360	748,986
Current liabilities		
Other payables and accruals	1,883	2,287
Dividend payable	28	–
Amounts due to subsidiaries	10,722	10,436
	12,633	12,723
Net Current Assets	736,727	736,262
Total assets less current liabilities	745,227	743,563
Non-current liability		
Deferred tax liability	177	–
Net Assets	745,050	743,563
Capital and reserves		
Share capital	5	5
Reserves	745,045	743,558
Total equity	745,050	743,563

* Less than RMB1,000.

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Zhai Shuchun	**Qin Yi**
Director	*Director*