NEWLINK TECHNOLOGY INC.
新紐科技有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 9600)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**245,495**	260,554
Gross profit	**37,091**	70,459
(Loss)/profit before tax	**(70,971)**	20,795
Income tax credit/(expense)	**1,287**	(3,356)
(Loss)/profit for the year	**(69,684)**	17,439
(Loss)/profit attributable to:		
Owners of the Company	**(69,159)**	17,488
Non-controlling interests	**(525)**	(49)

* *For identification purposes only*

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Total assets	**947,685**	991,204
Total liabilities	**158,781**	108,593
Equity attributable to the owners of the Company	**786,971**	880,153
Non-controlling interests	**1,933**	2,458
Total equity	**788,904**	882,611

In this announcement, "we", "us", "our" and "Newlink Technology" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Newlink Technology Inc. (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces that the consolidated annual results of the Group for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022 are as follows.

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	5	**245,495**	260,554
Cost of sales	8	**(208,404)**	(190,095)
Gross profit		**37,091**	70,459
Other income and gains	6	**10,569**	10,682
Changes in fair value of investment properties		**(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		**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	8	**(42,315)**	(19,148)
Other expenses		**(1,294)**	(2,143)
Finance costs	7	**(1,323)**	(1,276)
Share of profits and losses of an associate		**178**	1,034
(LOSS)/PROFIT BEFORE TAX	8	**(70,971)**	20,795
Income tax credit/(expense)	9	**1,287**	(3,356)
(LOSS)/PROFIT FOR THE YEAR		**(69,684)**	17,439

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Revaluation surplus on transfer of owned properties to investment properties		**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
(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	*11*	**(8.79)**	2.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**582,657**	689,936
TOTAL ASSETS LESS CURRENT LIABILITIES	**837,432**	921,424
NON-CURRENT LIABILITIES		
Lease liabilities	**23,783**	13,426
Contingent consideration	**21,000**	21,810
Deferred tax liabilities	**3,745**	3,577
	48,528	38,813
NET ASSETS	**788,904**	882,611
CAPITAL AND RESERVES		
Share capital	**5**	5
Reserves	**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

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 is 5/F., Tower A, Xueqing Jiachuang Building, Xueqing Road, Haidian District, Beijing, in the People's Republic of China (hereafter, 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.

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.

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.

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

The Group has adopted Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* 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.

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

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.

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.

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

New and Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[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.

3 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.

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

4. 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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.

5. 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

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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

(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.

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

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.

6. OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*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.

7. FINANCE COSTS

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

8. (LOSS)/PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold and services rendered	**208,404**	190,095
Research and development expenses:		
Deferred expenditure amortised *(Note (i))*	**29,475**	8,101
Current year expenditure	**12,840**	11,047
	42,315	19,148
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	**143,442**	102,747
Pension scheme contributions (defined contribution scheme) *(Note (ii))*	**24,662**	16,981
	168,104	119,728
Auditor's 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	**3,099**	2,159
Depreciation of right-of-use assets	**7,347**	4,804
Amortisation of intangible assets *(Note (i))*	**43,247**	19,432
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**	–
Loss on disposal of an associate	**–**	17
Foreign exchange differences, net *(Note (iii))*	**906**	1,827

8. (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.

9. 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	**(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 year, 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.

10. 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 Listing Rules 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.

11. (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.

12. 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	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	–	(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

13. TRADE RECEIVABLES

	2023	2022
	RMB'000	*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.

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	2022
	RMB'000	*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

14. 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.

15. 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

16. 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	31 December 2022	1 January 2022
	RMB'000	*RMB'000*	*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.

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).

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.

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

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.

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 companies, 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.

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 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 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.

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, Beijing Neusoft Yuetong Software Technology Co., Ltd.* (北京東軟越通軟件技術有限公司, "**Neusoft Yuetong**").

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.

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 share of public expenses per person 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 operating cash inflow of approximately RMB18.7 million, as compared with RMB14.0 million in 2022. The increase in 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.

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 property 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.

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. Therefore, we did not have significant foreign currency exposure from our operations.

Commitments

The Group has various contracted, but not provided short-term lease commitments 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 due within one year.

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 announcement, 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) Co., Ltd.* (紐領科技（北京）有限公司) (a wholly-owned subsidiary of the Company, "**Newlink Technology Beijing**"), 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 RMB 4,988,128.51 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.

(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

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 state-owned enterprises and listed 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 required 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 state-owned enterprises and listed companies.

In addition, the balance of trade receivables over 180 days as of 31 December 2023 was mainly recorded from state-owned enterprises and listed 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 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 has not identified any issues of the recoverability of trade receivables or insufficient provision for impairment to date.

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 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%.

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**").

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.

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

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

	Original allocation of the IPO Proceeds		Allocation of the IPO Proceeds after Re-allocation		Utilized amount during the Reporting Period	Unutilized amount as at 31 December 2023	Expected timeline for the use of unutilized proceeds [(1)]
	Percentage	**Amount**	**Percentage**	**Amount**			
	HK$ million		*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	By December 2025
– 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	
– 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	
Funds planned for the acquisition of Neusoft Yuetong			9.0%	71.0	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.

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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 preemployment 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.

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.

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.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

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 announcement, the Company has maintained the public float as required under the Listing Rules.

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.

Pursuant to code provision C.2.1 of the Corporate Governance Code (the "**CG Code**") of the Appendix C1 to the Listing Rules, 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 Chief Executive Officer are held by Mr. Zhai Shuchun ("**Mr. Zhai**"). 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.

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 announcement, the Group has complied with the CG Code throughout the year ended 31 December 2023. The Company will periodically review on its corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code effective from time to time.

Compliance with the 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.

Audit Committee and Review of Financial Information

The audit committee of the Board (the "**Audit Committee**") (comprising three independent non-executive Directors, namely, Mr. You Linfeng (the chairman of the Audit Committee), Mr. Tang Baoqi and Ms. Yang Juan) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with the management and the auditor of the Company. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2023.

Scope of Work of CCTH CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

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 (the "**Proposed Amendments**"), and 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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xnewtech.com). The annual report of the Company for the year ended 31 December 2023 will be published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board
Newlink Technology Inc.
ZHAI Shuchun
Chairman and Chief Executive Officer

Beijing, the PRC, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. ZHAI Shuchun, Ms. QIN Yi and Mr. LI Xiaodong; and the independent non-executive Directors are Mr. TANG Baoqi, Ms. YANG Juan and Mr. YOU Linfeng.