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 DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS OF ANNUAL RESULTS

	For the Year Ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**176,147**	148,970
Gross profit	**92,402**	73,158
Profit before tax	**40,284**	38,235
Income tax expenses	**(8,255)**	(5,122)
Profit for the year	**32,029**	33,113
Profit attributable to:		
Owners of the parent	**32,029**	33,106
Non-controlling interests	**–**[2]	7
Adjusted net profit[1]	**50,232**	38,263

Note

1. Adjusted net profit is calculated as the profit for the year/period excluding the effect of listing expenses. Adjusted net profit is not a measure of performance under HKFRSs. Please refer to page 32 of this announcement for more details.

2. Less than RMB1,000.

* *For identification purposes only*

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Total assets	**258,480**	245,118
Total liabilities	**59,107**	58,221
Equity attributable to the owners of the parent	**197,866**	185,390
Non-controlling interests	**1,507**	1,507
Total equity	**199,373**	186,897

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**") is pleased to announce that the consolidated annual results of the Group for the year ended December 31, 2020, together with the comparative figures for the year ended December 31, 2019 are as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*4*	**176,147**	148,970
Cost of sales	*5*	**(83,745)**	(75,812)
Gross profit		**92,402**	73,158
Other income and gains	*4*	**2,058**	1,852
Selling and distribution expenses		**(9,682)**	(6,515)
Administrative expenses		**(30,427)**	(13,690)
Research and development costs	*5*	**(11,939)**	(14,276)
Other expenses		**(1,342)**	(1,156)
Finance costs	*6*	**(786)**	(1,138)
PROFIT BEFORE TAX	*5*	**40,284**	38,235
Income tax expense	*8*	**(8,255)**	(5,122)
PROFIT FOR THE YEAR		**32,029**	33,113
Attributable to:			
Owners of the parent		**32,029**	33,106
Non-controlling interest		**–***	7
		32,029	33,113
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB5.34 cents**	RMB34.38 cents

* Less than RMB1,000.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(488)**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(488)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(488)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**31,541**	33,113
Attributable to:		
Owners of the parent	**31,541**	33,106
Non-controlling interest	**–***	7
	31,541	33,113

* Less than RMB1,000.

CONSOLIDATED BALANCE SHEET

	Notes	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**2,361**	3,030
Right-of-use assets		**9,222**	13,354
Contract assets	*13*	**1,402**	795
Long-term deposits		**1,478**	1,450
Intangible assets	*11*	**18,195**	11,140
Deferred tax asset		**333**	128
Total non-current assets		**32,991**	29,897
CURRENT ASSETS			
Trade receivables	*12*	**107,248**	72,289
Contract assets	*13*	**40,507**	22,635
Prepayments, deposits and other receivables		**8,603**	4,697
Amounts due from related parties		**–**	2,232
Amounts due from shareholders		**–**	56,014
Pledged deposits		**–**	15
Cash and cash equivalents		**69,131**	57,339
Total current assets		**225,489**	215,221
CURRENT LIABILITIES			
Trade payables	*14*	**6,265**	897
Contract liabilities		**1,371**	1,500
Other payables and accruals		**22,870**	3,879
Lease liabilities		**2,639**	2,111
Interest-bearing bank borrowings		**15,000**	–
Amounts due to shareholders		**–**	37,000
Tax payable		**4,917**	2,578
Total current liabilities		**53,062**	47,965
NET CURRENT ASSETS		**172,427**	167,256
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,418**	197,153
NON-CURRENT LIABILITIES			
Lease liabilities		**6,045**	10,256
Total non-current liabilities		**6,045**	10,256
Net assets		**199,373**	186,897
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**4**	4
Reserves		**197,862**	185,386
		197,866	185,390
Non-controlling interest		**1,507**	1,507
Total equity		**199,373**	186,897

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of software development and maintenance in the People's Republic of China (hereafter, the "PRC"). Mr. Zhai Shuchun is the controlling shareholder of the Group. There has been no significant change in the Group's principal activities during the year ended 31 December 2020.

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Amendments to HKFRS 3 and the revised HKFRSs are described as below. Amendments to HKFRS 9, HKAS 39, and HKFRS 7 are not relevant to the preparation of the Group's financial statements.

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted the Amendment to HKFRS 16 that has been issued but not yet effective on 1 January 2020.

(c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts—Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRS Standards 2018-2020 Cycle	*Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) providing comprehensive and integrated solutions for our customers in the finance industry, such as banks, trust companies and other financial institutions;

(b) providing medical quality control and safety warning system that enable hospitals to analyse key clinical data, improve clinical effectiveness and lower the risk of medical malpractice; and

(c) providing IT solutions to customers from industries other than financial institutions and hospitals.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of gross profit.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2020	Financial institutions *RMB'000*	Medical institutions *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**136,945**	**33,674**	**5,528**	**176,147**
Segment results	**62,943**	**25,633**	**3,826**	**92,402**
Reconciliation:				
Other income and gains				**2,058**
Selling and distribution expenses				**(9,682)**
Administrative expenses				**(30,427)**
Research and development costs				**(11,939)**
Other expenses				**(1,342)**
Finance costs				**(786)**
Profit before tax				**40,284**
Segment assets	**107,722**	**35,784**	**5,652**	**149,158**
Reconciliation:				
Corporate and other unallocated assets				**109,322**
Total assets				**258,480**
Segment liabilities	**1,337**	**34**	**–**	**1,371**
Reconciliation:				
Corporate and other unallocated liabilities				**57,736**
Total liabilities				**59,107**

Year ended 31 December 2019	Financial institutions *RMB'000*	Medical institutions *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	126,974	12,294	9,702	148,970
Segment results	62,103	6,374	4,681	73,158
Reconciliation:				
Other income and gains				1,852
Selling and distribution expenses				(6,515)
Administrative expenses				(13,690)
Research and development costs				(14,276)
Other expenses				(1,156)
Finance costs				(1,138)
Profit before tax				38,235
Segment assets	85,188	9,052	1,479	95,719
Reconciliation:				
Corporate and other unallocated assets				149,399
Total assets				245,118
Segment liabilities	1,500	–	–	1,500
Reconciliation:				
Corporate and other unallocated liabilities				56,721
Total liabilities				58,221

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 RMB58,823,000 (2019:RMB60,780,000) were derived from sales by the financial institutions and medical institutions segments to the following single customers, which individually accounted for more than 10% of the Group's total revenue.

	2020 ***RMB'000***	2019 *RMB'000*
Customer 1	**26,875**	23,870
Customer 2	**31,948**	21,414
Customer 3	**N/A***	15,496

* 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.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020	Financial institutions *RMB'000*	Medical institutions *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services				
Software development services	**110,454**	**18,281**	**3,350**	**132,085**
Technical and maintenance services	**17,507**	**–**	**–**	**17,507**
Sale of standard software	**8,984**	**15,393**	**2,178**	**26,555**
Total revenue from contracts with customers	**136,945**	**33,674**	**5,528**	**176,147**
Timing of revenue recognition				
Goods transferred at a point in time	**8,984**	**15,393**	**2,178**	**26,555**
Services transferred over time	**127,961**	**18,281**	**3,350**	**149,592**
Total revenue from contracts with customers	**136,945**	**33,674**	**5,528**	**176,147**

For the year ended 31 December 2019	Financial institutions *RMB'000*	Medical institutions *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services				
Software development services	96,498	12,294	7,140	115,932
Technical and maintenance services	18,899	–	–	18,899
Sale of standard software	11,577	–	2,562	14,139
Total revenue from contracts with customers	126,974	12,294	9,702	148,970
Timing of revenue recognition				
Goods transferred at a point in time	11,577	–	2,562	14,139
Services transferred over time	115,397	12,294	7,140	134,831
Total revenue from contracts with customers	126,974	12,294	9,702	148,970

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: :

	2020 *RMB'000*	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software development services	**1,384**	4,027
Technical and maintenance services	**116**	214
	1,500	4,241

(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 30-180 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 30-180 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 30-180 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:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**18,631**	17,936
After one year	**7,462**	3,754
	26,093	21,690

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 amount 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.

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**213**	128
Interest income arising from revenue contracts	**39**	63
Foreign exchange differences	**–**	12
VAT refunds and other tax subsidies*	**1,677**	1,649
Other interest income from financial assets at fair value through profit or loss	**129**	–
	2,058	1,852

* Refunds of value-added tax, or 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.

5. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of services rendered		**83,745**	75,812
Research and development costs:			
Deferred expenditure amortised		**788**	–
Current year expenditure		**11,151**	14,276
		95,684	90,088
Employee benefit expense (including directors' and chief executive's remuneration *(note 7)*):			
Wages and salaries		**75,579**	69,272
Pension scheme contributions (defined contribution scheme)		**11,968**	13,112
		87,547	82,384
Depreciation of property and equipment		**732**	1,847
Depreciation of right-of-use assets		**4,258**	4,486
COVID-19-related rent concessions from lessors		**(330)**	–
Amortisation of intangible assets	*11*	**3,328**	1,508
Impairment losses recognised for trade receivables	*12*	**902**	809
Impairment losses recognised for contract assets	*13*	**310**	46
Foreign exchange differences, net		**111**	(12)
Bank interest income	*4*	**(213)**	(128)
Listing expenses		**18,203**	5,150
Auditors' remuneration		**1,800**	38

6. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank loans	**202**	358
Interest on lease liabilities	**584**	780
	786	1,138

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Zhai Shuchun, Ms. Qin Yi, Ms. Qiao Huimin and Mr. Li Xiaodong were appointed as executive directors of the Company since 2019. Mr. Tang Baoqi, Ms. Jing Liping and Mr. Ye Jinfu were appointed as independent non-executive directors of the Company since 2020.

Certain of the directors received remuneration from a subsidiary now comprising the Group for their appointment as directors or senior management of this subsidiary. The remuneration of each of these directors as recorded in the financial statements of the subsidiary is set out below:

	2020 ***RMB'000***	2019 *RMB'000*
Salaries, allowances and benefits in kind	**2,033**	1,464
Pension scheme contributions	**240**	248
	2,273	1,712

(a) Executive directors, non-executive directors and the chief executive

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

2019	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive director and the chief executive:			
Mr. Zhai Shuchun	360	91	451
Executive directors:			
Ms. Qin Yi	513	52	565
Ms. Qiao Huimin	479	91	570
Mr. Li Xiaodong	112	14	126
Independent non-executive directors:			
Mr. Tang Baoqi	–	–	–
Mr. Ye Jinfu	–	–	–
Ms. Jing Liping	–	–	–
	1,464	248	1,712

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

8. INCOME TAX

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

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

Pursuant to the PRC Enterprise Income Tax ("EIT") Law and the respective regulations, the subsidiaries in Mainland China are subject to income tax at a statutory rate of 25% during the year.

A preferential tax treatment is available to Beijing Newlink, which was recognised as a High and New Technology Enterprise in October 2017 in Mainland China and a lower corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise has to be renewed every three years and Beijing Newlink has to re-apply for it every six years. The applicable tax rate was 15% during the year.

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

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

	2020	2019
	RMB'000	*RMB'000*
Current tax- Mainland China	**8,460**	5,250
Deferred tax	**(205)**	(128)
Total tax charge for the year	**8,255**	5,122

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

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**40,284**		38,235	
Tax at the statutory tax rate	**10,071**	**25.0**	9,559	25.0
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	**(4,028)**	**(10.0)**	(3,824)	(10.0)
Super deduction for research and development expenses	**(1,291)**	**(3.2)**	(1,483)	(3.9)
Expenses not deductible for tax	**3,503**	**8.8**	870	2.3
Tax charge at the Group's effective tax rate	**8,255**	**20.5**	5,122	13.4

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 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amounts of temporary difference associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB109,120,000 as at 31 December 2020 (2019: RMB57,529,000).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses from 1 January 2008 to 31 December 2017, and 175% of the research and development expenses from 1 January 2018 to 31 December 2020 as tax deductible expense.

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

As the end of the year, the Group has no tax losses arising in Mainland China which can be utilised to offset against future taxable profits.

9. DIVIDENDS

No dividends had been paid or declared by the Group during the year ended 31 December 2020 (2019: nil).

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

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the year ended 31 December 2019 has been retrospectively adjusted for the effect of capitalisation issue. The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020	2019
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation *(RMB'000)*	**32,029**	33,106
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**600,000,000**	96,300,000
Basic and diluted earnings per share	**RMB5.34 cents**	RMB34.38 cents

11. INTANGIBLE ASSETS

	Software license *RMB'000*	Deferred development costs *RMB'000*	Total *RMB'000*
31 December 2020			
At 1 January 2020:			
Cost	**12,439**	**899**	**13,338**
Accumulated amortisation	**(2,198)**	**–**	**(2,198)**
Net carrying amount	**10,241**	**899**	**11,140**
At 1 January 2020, net of accumulated amortisation	**10,241**	**899**	**11,140**
Additions	**5,778**	**4,605**	**10,383**
Amortisation provided during the year (note 5)	**(2,540)**	**(788)**	**(3,328)**
At 31 December 2020, net of accumulated amortisation	**13,479**	**4,716**	**18,195**
At 31 December 2020:			
Cost	**18,217**	**5,504**	**23,721**
Accumulated amortisation	**(4,738)**	**(788)**	**(5,526)**
Net carrying amount	**13,479**	**4,716**	**18,195**

	Software license *RMB'000*	Deferred development costs *RMB'000*	Total *RMB'000*
31 December 2019			
At 1 January 2019:			
Cost	3,907	–	3,907
Accumulated amortisation	(690)	–	(690)
Net carrying amount	3,217	–	3,217
At 1 January 2019, net of accumulated amortisation	3,217	–	3,217
Additions	8,532	899	9,431
Amortisation provided during the year (note 5)	(1,508)	–	(1,508)
At 31 December 2019, net of accumulated amortisation	10,241	899	11,140
At 31 December 2019:			
Cost	12,439	899	13,338
Accumulated amortisation	(2,198)	–	(2,198)
Net carrying amount	10,241	899	11,140

12. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**109,091**	73,230
Impairment	**(1,843)**	(941)
	107,248	72,289

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 30-180 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 sale of standard software, the credit period granted to the customers is normally 30-180 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 30-180 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 and hospitals 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.

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**46,507**	33,368
91 to 180 days	**14,592**	15,912
181 days to 1 year	**22,627**	4,453
1 year to 2 years	**23,522**	18,556
	107,248	72,289

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**941**	132
Provision for expected credit losses	**902**	809
At the end of year	**1,843**	941

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates are based on groupings of various customer segments with similar loss patterns (i.e., 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 also adjusted these loss trends for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

31 December 2020	**Amount**	**Expected credit loss rate**	**Impairment**
	RMB'000		***RMB'000***
Trade receivables aged:			
Within 1 year	**84,443**	**0.85%**	**717**
1 to 2 years	**24,648**	**4.57%**	**1,126**
	109,091		**1,843**

31 December 2019	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within 1 year	53,814	0.15%	81
1 to 2 years	19,416	4.43%	860
	73,230		941

13. CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Contract assets	**42,277**	23,488
Impairment	**(368)**	(58)
	41,909	23,430
Analysed into:		
Current portion	**40,507**	22,635
Non-current portion	**1,402**	795

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

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

	2020	2019
	RMB'000	*RMB'000*
Within one year	**40,507**	22,635
After one year	**1,402**	795
Total contract assets	**41,909**	23,430

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**58**	12
Provision for expected credit losses	**310**	46
At end of year	**368**	58

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, and groupings of various customer segments with similar loss patterns (i.e., customer type and rating). 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:

	2020	2019
Expected credit loss rate	**0.87%**	0.25%
Gross carrying amount *(RMB'000)*	**42,277**	23,488
Expected credit losses *(RMB'000)*	**368**	58

14. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**6,248**	841
3 to 6 months	**3**	14
6 months to 1 year	**–**	17
Over 1 year	**14**	25
	6,265	897

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2020 marks a milestone for Newlink Technology. On the one hand, the Company submitted its formal application to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") seeking for share listing on the Main Board and received subscription applications for more than 400 times of shares initially available under the Hong Kong public offering. Newlink Technology was successfully listed on the Main Board of the Stock Exchange on January 6, 2021 (the "**Listing Date**"). The listing status has enhanced the Company's brand recognition, and has become a driver to accelerate its business development. On the other hand, despite the Chinese economy facing severe adverse impacts due to the complex and changing situations both at home and abroad as well as the outbreak of COVID-19 pandemic, the Company still achieved a 18.2% increase in total revenue from RMB149.0 million in 2019 to RMB176.1 million in 2020. In particular, we have successfully achieved exponential growth in the field of healthcare big data solutions with 2020 revenue approximately 2.74 times that of 2019, which is of great strategic significance to us.

In 2020, the Company continued to expedite promoting the solutions supported by artificial intelligence and big data analysis. Such solutions generated a total revenue of RMB40.6 million in 2020, representing an increase of 154.0% from RMB16.0 million in 2019. Among them, the total revenue generated from healthcare big data solutions increased significantly to RMB33.7 million in 2020, approximately 2.74 times of RMB12.3 million in 2019. We consistently delivered excellent solutions to our customers in the healthcare industry, which ensured us with new orders from and wide recognition among our customers. By the end of 2020, our healthcare big data solutions have been successfully promoted to and applied by 90 hospitals, surpassing the total number of customers in the finance industry served in the same period. Furthermore, in 2020, 45 new hospitals started to adopt the Company's healthcare big data solutions, which is the total number of hospitals served in 2018 and 2019. While having achieved rapid growth in the field of healthcare big data solutions, the Company also focused on finance industry with its accelerating digital transformation and rapid developing trend. The Company focused on seeking opportunities in finance industry by leveraging its extensive experience in finance IT industry. Through continuously exploring new user application scenarios, the Company continued to develop and upgrade its innovative solution, i.e. the robotic process automation, or RPA platform, making it an important engine for financial customers in achieving digital transformation and constantly creating business value.

The year 2021 is the first year after the listing of Newlink Technology and the fourth year to carry out our strategic layout of artificial intelligence and big data analysis solutions. We will enhance the application of cutting-edge technologies and continuously promote the innovation of solutions, increase investment in technology R&D and marketing, and strive to attract international industry leader to join the Company. We will actively strengthen our layout in key technologies for artificial intelligence and big data analysis applications and SaaS services at the enterprise level.

In 2021, we will seize opportunities and overcome challenges to comprehensively enhance our market competitiveness. The Company will also remain committed to the R&D and upgrading of existing products to further increase the market share of RPA platform, and healthcare big data solutions. In addition, we will continue to conduct in-depth research on the business scenarios of customers in the healthcare industry, and commit ourselves to the development of application scenarios of artificial intelligence technology in the healthcare industry. Aiming at the industry peculiarities of the healthcare industry, we will achieve customized application, assist customers in the healthcare industry to reduce the large labor costs required for daily execution of various kinds of large-volume repetitive tasks, and help customers improve work efficiency with RPA solution's unique characteristics of rapid processing and timely execution with low error rate.

Finally, on behalf of the Board, I would like to express my deepest gratitude to all the employees and management of the Company for their commitment and unremitting efforts. I would also like to express my sincere thanks to all shareholders and partners for their firm support and trust. It is their contributions that have brought sustained and rapid development to the Company's business. We are of full confidence in the future. The Company will continue to expand its first-mover advantages of the products related to artificial intelligence and big data analysis, and continue to focus on enhancing its capabilities of technology R&D to further expand the application of more scenarios for more customers. At the same time, we will actively identify target companies with appropriate technologies, customer bases or operation modes in the target market and engage with them for acquisition, and seek more strategic cooperation with the government and large healthcare groups in the field of healthcare big data, so as to gradually expand the Company's business.

Mr. ZHAI Shuchun
Chairman and Chief Executive Officer

March 30, 2021

BUSINESS REVIEW AND OUTLOOK

Overview

The Company was successfully listed on the Main Board of the Stock Exchange on January 6, 2021.

We are an IT solutions provider focusing primarily on traditional software-driven solutions and we are also committed to providing innovative software-driven solutions powered by artificial intelligence and big data analytics for our customers. In 2020, our customers were mainly from the finance industry and the healthcare industry among which we provide traditional IT solutions and innovative IT solutions for financial institutions and we provide innovative IT solutions, or healthcare big data solutions, for healthcare institutions.

For our customers in the finance industry, we enable them to better serve their clients in new business scenarios and adapt to changing regulatory requirements by providing them with our comprehensive IT solutions. For our customers in the healthcare industry, with application of our massive healthcare data analysis, we launched a series of healthcare big data solutions to help healthcare institutions effectively improve healthcare quality, optimize clinical pathway management, promote rationalization of healthcare service charges, and aim to shorten the time for disease diagnosis and treatment and reduce the treatment costs for patients through our constant research and development of telemedicine solutions.

In 2020, for our finance IT solutions, we primarily focused on the research and development of our over-the-counter bond bookkeeping system and RPA solution. We upgraded technology architecture from service-oriented architecture to distributed architecture for our over-the-counter bond bookkeeping system to further enhance the efficiency. As of December 31, 2020, our over-the-counter bond bookkeeping system was implemented in nine banks. For our RPA solution, we focused on the research and development for a screen recording module to enable review of robot software's actions and facilitate error spotting and process improvement. As of December 31, 2020, our RPA platform was implemented in two top-tier financial institutions in China.

In 2020, for our healthcare big data solutions, we primarily focused on the system enhancements of our medical quality control and safety warning system, including expanding the capacity by adding more indicators to the models to enable more efficient data processing based on massive medical data, and optimizing the algorithm of the models to enhance the accuracy of medical data analysis. As of December 31, 2020, we expanded the implementation of our medical quality control and safety warning system to 90 hospitals, 55 of which were Class III Grade A hospitals, and entered into cooperation arrangements with 240 hospitals, over 70% of which were Class III Grade A hospitals, to implement such system in 2021.

Our ability to compete depends on our continuous commitment to research and development and our ability to continuously enhance and broaden our solutions to meet the evolving needs of our customers. Our research and development efforts are focused on developing and testing new and complementary software-driven solutions, as well as further enhancing the usability, functionality, reliability and flexibility of our existing solutions. Our research and development personnel develops and tests customized software-driven solutions with quality assurance, and works with external experts to improve our solution offerings. As of December 31, 2020, we had 55 research and development personnel with extensive experience in the software industry. Focusing on the development of our innovative healthcare big data solutions, 34.5% of our research and development personnel are familiar with healthcare industry and have medical expertise in medical quality control and work experience in operating medical databases and management system for hospitals. As of December 31, 2020, all of our research and development personnel hold bachelor's degree or above and approximately 5.5% of our research and development personnel hold master's degree or above.

Impact of the COVID-19 outbreak

Since January 2020, the outbreak of coronavirus disease 2019 ("**COVID-19**") was spreading in China and worldwide. To reduce the risk of infection and continuously develop our business, we have adopted business contingency plans and protective measures, including transforming on-site work to remote work during the peak of COVID-19 outbreak, and establishing remote working environment and daily management process.

Our revenue generated from healthcare big data solutions in the first half of 2020 was adversely affected by the COVID-19 outbreak, primarily because most of the hospitals in China focused on dealing with COVID-19 and thus we had limited access to on-site implementation and testing for certain projects at our healthcare customers' premises. In addition, some of our potential customers in the healthcare industry may also delay their potential project initiation, engagement or implementation under the impact of COVID-19 outbreak. However, along with the ease of COVID-19 situations in China in the second half of 2020, our revenue generated from healthcare big data solutions for healthcare institutions increased significantly for the whole year of 2020. The COVID-19 outbreak had limited impact on our revenue generated from IT solutions for financial institutions, because we are able to make telecommuting work arrangement for our ongoing contracts with financial institutions and we have easier access to on-site project execution for our new contracts with financial institutions compared with that for healthcare institutions. Our revenue generated from IT solutions for other enterprises in 2020 was adversely affected by the COVID-19 outbreak, primarily due to a decreasing demand from other enterprises for IT solutions resulting from their expenditure control during the COVID-19 outbreak.

Most of our customers are from finance industry and healthcare industry in China. Different from industries such as retail and catering industry, the COVID-19 outbreak is expected to have a limited impact on the finance industry in China. Accordingly, we believe there will not be an apparent long-term impact on our operation and financial performance of our finance IT solutions. According to the Notice on Further Strengthening Financial Support for the Prevention and Control of the Outbreak of Pneumonia caused by the Novel Coronavirus (關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知) issued by several regulators including PBOC, MOF and China Banking and Insurance Regulatory Commission on February 1, 2020, the PRC government will support the finance market by maintaining reasonably abundant liquidity and increasing monetary and credit support. For the healthcare industry which is our other target market, the COVID-19 outbreak has imposed a significant burden on the medical system in China, which is expected to lead to an increasing demand for more efficient and centralized hospital management and quality healthcare services. On February 6, 2020, the NHC issued the Notice to Strengthen Diagnosis and Treatment Consulting Services through the Internet to Prevent and Control the COVID-19 Outbreak (關於在疫情防控中做好互聯網診療諮詢服務工作的通知), encouraging healthcare institutions in China to utilize the Internet and telemedicine practice in providing healthcare services for the public in order to alleviate the healthcare resources constraints during the COVID-19 outbreak and reduce the risk of infection. We expect such policy will lead to a wider application and market acceptance of telemedicine technologies and may bring new business opportunities for our telemedicine system.

The COVID-19 outbreak did not have apparent impact on our liquidity positions and working capital sufficiency. Our cash and cash equivalents balance increased from RMB22.7 million as of June 30, 2020 to RMB44.4 million as of September 30, 2020 and further to RMB69.1 million as of December 31, 2020. In 2020 and as of December 31, 2020, we did not have any capital commitments. Based on our constantly improved cash flow position, our Directors believe that, our current working capital is sufficient to support our normal operation and meet our contractual obligations for the project implementation for our ongoing contracts and projects under negotiation.

Outlook

Looking forward to 2021, the application of artificial intelligence in the finance industry in China will be ushered in a high-growth stage. A large number of commercial banks are expected to adopt solutions utilizing artificial intelligence technologies, such as RPA solution, to improve operational efficiency and lower labor costs. In addition, as a new type of commercial bank business, the over-the-counter business of local government bonds will be further promoted to an increasing number of commercial banks. The demand of over-the-counter bond bookkeeping system will further grow. For healthcare industry in China, the government constantly promotes the collection, storage and sharing of healthcare big data among healthcare institutions, which leads to growing demand of healthcare big data solutions.

We will seize the market opportunity to enhance our market competitiveness and explore and promote our competitive solutions, including our innovative IT solutions for financial institution such as RPA solution, over-the-counter bond bookkeeping system, and our healthcare big data solutions such as medical quality control and safety warning system, clinical pathway management system, and intelligent healthcare platform. We will continue to invest our research and development in such solutions to constantly upgrade to cater to our customers' demands. We will enhance the application of cutting-edge technologies and continuously promote the innovation of solutions, increase investment in technology R&D and marketing, and strive to attract the world talents in the industry to join us. We will actively strengthen our layout in key technologies for artificial intelligence and big data analysis applications and SaaS services at the enterprise level. In addition, we will continue to conduct in-depth research on the business scenarios of customers in the healthcare industry, commit ourselves to the development of application scenarios of artificial intelligence technology in the healthcare industry. We will assist healthcare institutions to improve their work efficiency and reduce their labor costs required for daily execution of various repetitive tasks by leveraging our RPA solution's characteristics of rapid processing and execution with low error rate. We expect to recruit more technical staff in 2021 to expand our technical team. We also plan to acquire new customers and expand our market into more regions. We are confident in the prospect of our business in future.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 18.2% from RMB149.0 million in 2019 to RMB176.1 million in 2020, primarily driven by (1) the increase in our revenue from healthcare big data solutions for healthcare institutions from RMB12.3 million to RMB33.7 million, and (2) the increase in our revenue from IT solutions for financial institutions from RMB127.0 million to RMB136.9 million. During the same periods, our revenue from IT solutions for other enterprises decreased from RMB9.7 million to RMB5.5 million.

The following analysis sets forth a breakdown of our revenue by industry sector of end users for the year of 2019 and 2020, respectively.

IT solutions for financial institutions

Our revenue generated from IT solutions for financial institutions increased by 7.8% from RMB127.0 million in 2019 to RMB136.9 million in 2020, primarily due to (1) the increase in the number of our customers in the finance industry from 74 in 2019 to 85 in 2020, and (2) a growing demand from our enlarging customer base to adapt to their new business scenarios and regulatory requirements.

IT solutions for healthcare institutions (Healthcare big data solutions)

Our revenue generated from healthcare big data solutions increased to RMB33.7 million in 2020, approximately 2.74 times of RMB12.3 million in 2019, primarily because we have promoted our healthcare big data solutions to 90 healthcare institutions in 2020, twice as many as that of 2019.

IT solutions for other enterprises

Our revenue generated from IT solutions for other enterprises decreased by 43.3% from RMB9.7 million in 2019 to RMB5.5 million in 2020, primarily due to a decreasing demand from other enterprises for IT solutions resulting from their expenditure control during the COVID-19 outbreak.

Cost of sales

Our cost of sales increased by 10.4% from RMB75.8 million in 2019 to RMB83.7 million in 2020, primarily due to (1) the increase in the expenses for our technical support service suppliers from RMB1.3 million to RMB9.7 million to provide for standard software services which do not require complex software development process and professional software deployment, and (2) the increase in our staff costs related to employees directly involved in our project execution from RMB64.4 million to RMB68.8 million to support our business expansion. During the same periods, our travel costs decreased from RMB3.9 million to RMB0.6 million resulting from the travel restrictions during the COVID-19 outbreak.

Gross profit and gross profit margin

As a result of the increase in our revenue in 2020 as compared with last year and the fact that our revenue increased at a greater pace than our cost of sales, our gross profit increased by 26.2% from RMB73.2 million in 2019 to RMB92.4 million in 2020. Our gross margin slightly increased from 49.1% in 2019 to 52.5% in 2020, primarily due to our enlarged user base and business scale with enhanced project execution efficiency benefited from the system implementation experience our technical staff accumulated. We improved our employees' productivity and optimized our workforce staffing by cross selling IT solutions to existing customers and allocating technical staff responsible for the existing contracts of the customers to the new contracts for the same customers.

Other income and gains

Other income and gains remained relatively stable at RMB1.9 million and RMB2.1 million in 2019 and 2020, respectively.

Selling and distribution expenses

Our selling and distribution expenses increased by 49.2% from RMB6.5 million in 2019 to RMB9.7 million in 2020, primarily due to the increase in employee-related expenses of RMB1.8 million as a result of an increase in the average monthly number of our sales and marketing staff from 27 in 2019 to 35 in 2020 to support our business expansion.

Administrative expenses

Our administrative expenses increased significantly from RMB13.7 million in 2019 to RMB30.4 million in 2020, primarily due to (1) the increase of listing expenses from RMB5.2 million in 2019 to RMB18.2 million in 2020, and (2) the increase in employee-related expenses of RMB2.2 million as a result of an increase in the bonus provided to our administrative staff.

Research and development costs

Our research and development expenses decreased by 16.8% from RMB14.3 million in 2019 to RMB11.9 million in 2020, primarily due to a decrease in our employee-related expenses of RMB3.1 million as a result of (1) certain adjustments of the salary level during the COVID-19 outbreak for employees who worked from home in the first quarter of 2020, and (2) our allocation of more technical staff for project execution of our finance IT solutions instead of research and development activities to maintain our business growth when facing challenges brought by the COVID-19 outbreak. The staff allocation among various projects and between project execution and research and development functions varies from month to month based on our business needs.

Other expenses

Other expenses remained relatively stable at RMB1.2 million in 2019 and RMB1.3 million in 2020, respectively.

Finance costs

Finance costs remained relatively stable at RMB1.1 million and RMB0.8 million in 2019 and 2020, respectively.

Profit before tax

As a result of the foregoing, we recorded profit before tax of RMB40.3 million in 2020, a slight increase from RMB38.2 million in 2019.

Income tax expenses

Our income tax expenses increased by 62.7% from RMB5.1 million in 2019 to RMB8.3 million in 2020, primarily due to an increase in our taxable income driven by the growth of our business.

Profit for the year

Primarily as a result of the listing expenses of RMB18.2 million we incurred in 2020, our net profit slightly decreased by 3.3% from RMB33.1 million in 2019 to RMB32.0 million in 2020. Our net margin slightly decreased from 22.2% in 2019 to 18.2% in 2020.

Non-HKFRS measure

To supplement our consolidated financial statements which are presented in accordance with HKFRSs and consistent with the measures adopted by our industry peers listed on the Stock Exchange, we also use a non-HKFRS measure, adjusted net profit, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies, as companies may not calculate adjusted net profit in the same manner. The use of such non-HKFRS measure has limitations as an analytical tool, because it does not reflect all items of income and expense that affect our operations, such as the impact of listing expenses. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our operating performance. You should not consider adjusted net profit in isolation, or as substitute for analysis of, our results of operations or financial position as reported under HKFRSs. Adjusted net profit, as we present it, represents our profit for the year/period excluding the effect of listing expenses.

The following table reconciles our adjusted net profit presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs.

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**32,029**	33,113
Add:		
Listing expenses	**18,203**	5,150
Adjusted net profit	**50,232**	38,263

Our adjusted net profit increased by 31.1% from RMB38.3 million in 2019 to RMB50.2 million in 2020. Our adjusted net margin, a non-HKFRS measure, was 25.7% and 28.5% in 2019 and 2020, respectively.

Liquidity, capital resources and capital structure

In 2020, our primary uses of cash are to fund our working capital requirements and research and development of our IT solutions. We financed our capital expenditures and working capital requirements principally with cash generated from our operations and bank borrowings.

Our bank borrowings as of December 31, 2020 amounted to RMB15.0 million, among which, (1) the bank borrowings of RMB10.0 million will be mature on October 18, 2021, with fixed interest rate of 5.00% per annum; and (2) the bank borrowings of RMB5.0 million will be mature on July 15, 2021, with fixed interest rate of 5.22% per annum. All the bank borrowings as of December 31, 2020 were denominated in RMB. All of our bank borrowings was primarily used for our daily operation and business expansion.

The Company continued to maintain a healthy and sound financial position. Our net current assets increased from approximately RMB167.3 million as of December 31, 2019 to approximately RMB172.4 million as of December 31, 2020. Our cash and cash equivalents increased from approximately RMB57.3 million as of December 31, 2019 to approximately RMB69.1 million as of December 31, 2020.

Exposure to exchange rate fluctuation

All of our operations are in China with all of our transactions being settled in RMB. We did not experience any impact or difficulties in liquidity on our operations resulting from currency exchange and we made no hedging transaction or forward contract arrangement in 2019 and 2020. In this respect, we are not exposed to any significant foreign currency exchange risk. However, our management will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

Capital commitments

In 2020 and as of December 31, 2020, we did not have any capital commitments.

Contingent liabilities

As of December 31, 2020, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated December 21, 2020 (the "**Prospectus**"), as of December 31, 2020, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

In 2020, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

In 2020, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on Group's assets

As of December 31, 2020, we had no charges on our assets.

Principal Risks and Uncertainties

The major difficulty we encountered in 2020 was the impact of COVID-19 outbreak. Our revenue generated from healthcare big data solutions in the first half of 2020 was adversely affected by the COVID-19 outbreak, primarily because most of the hospitals in China focused on dealing with COVID-19 and thus we had limited access to on-site implementation and testing for certain projects at our healthcare customers' premises. In addition, some of our potential customers in the healthcare industry may delayed their potential project initiation, engagement or implementation under the impact of COVID-19 outbreak. Our revenue generated from IT solutions for other enterprises in the first half of 2020 was also adversely affected by the COVID-19 outbreak, primarily due to a decreasing demand from other enterprises for IT solutions resulting from their expenditure control during the COVID-19 outbreak. However, along with the ease of COVID-19 situations in China in the second half of 2020, our revenue generated from healthcare big data solutions increased significantly for the whole year of 2020.

In addition, we were exposed to credit risks of our customers and our outstanding trade receivables and trade receivables turnover days remained at a relatively high level in 2020. As of December 31, 2019 and 2020, our trade receivables amounted to RMB72.3 million and RMB107.2 million, respectively. Our trade receivables turnover days in 2019 and 2020 were 174 days and 186 days, respectively. We recorded a large amount of receivables from certain customers with whom we have maintained a long-term business relationship, primarily including top-tier banks, trust companies, asset management companies and Class III Grade A hospitals, which are in good standing and have strong creditworthiness. However, such customers normally have stricter internal payment and settlement processes, which have led to a longer payment cycle of such customers. The COVID-19 outbreak in the first half of 2020 led to further extended internal process and payment cycle of our customers.

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

Key Financial and Business Performance Indicators

The key financial and business performance indicators comprise profitability growth and return on equity. Details of our profitability growth are shown in the paragraph headed "Profit for the year" and "Adjusted net profit (non-HKFRS measure)" in this section of this announcement.

Our return on equity decreased from 25.3% for 2019 to 16.6% for 2020, primarily due to the increase in our equity.

Our gearing ratio increased from nil as of December 31, 2019 to 7.5% as of December 31, 2020, as we had bank borrowings of RMB15.0 million as of December 31, 2020. The calculation of gearing ratio is based on total borrowings divided by total equity as of year end and multiplied by 100.0%.

OTHER INFORMATION

Use of Proceeds

The ordinary shares of the Company ("**Shares**") were listed on the Main Board of the Stock Exchange on the Listing Date, whereby 200,000,000 new Shares were issued at the offer price of HK$4.36 each by the Company. The net proceeds from the Company's global offering (the "**Global Offering**"), after deduction of the underwriting fees and other related expenses, was approximately HK$790.4 million. As of the date of this announcement, the Company does not anticipate any change on its plan on the use of proceeds as stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Since the Listing Date up to the date of this announcement, the Company has not utilized any of the net proceeds raised from the Global Offering.

Employees, Training and Remuneration Policies

As of December 31, 2020, we had 453 employees. The staff costs including Directors' emoluments were approximately RMB95.7 million in 2020.

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

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

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to our employees' continuing education and development.

We provide pre-employment and regular continuing trainings to our employees, which we believe are effective in equipping them with the skill set and work ethics that we require. Also, we continuously provide comprehensive trainings to our technical staff, equipping them with knowledge and skills to perform a variety of functions on different projects and allowing us to quickly find qualified and suitable replacement internally in the event of employee's demission.

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 December 31, 2020.

Annual General Meeting of 2021 (the "2021 AGM")

The 2021 AGM will be held on June 11, 2021. A notice convening the 2021 AGM will be published and dispatched to the shareholders of the Company (the "**Shareholders**") in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Final Dividend

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2020.

Closure of The Register of Members For the 2021 AGM

For determining the entitlement to attend and vote at the 2021 AGM to be held on June 11, 2021, the register of members of the Company will be closed from June 8, 2021 to June 11, 2021, both days inclusive, and during which period no transfer of Shares will be registered.

In order to be eligible to attend and vote at the 2021 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on June 7, 2021.

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

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

As the Shares in issue were not yet listed on the Stock Exchange during the year ended December 31, 2020, the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules was not applicable to the Company during the year ended December 31, 2020. The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices. Since the Listing Date and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph A.2.1 of the CG Code below.

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. As the shares of the Company were not yet listed on the Stock Exchange as at December 31, 2020, the Model Code was not applicable to the Company during the year ended December 31, 2020.

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 since the Listing Date and up to the date of this announcement.

Audit Committee and Review of Financial Information

The audit committee (the "**Audit Committee**") of the Board (comprising three independent non-executive Directors, namely, Mr. Ye Jinfu (the chairman of the Audit Committee), Mr. Tang Baoqi and Ms. Jing Liping) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 2020. 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 December 31, 2020.

Scope of Work of Ernst & Young

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 2020 as set out in the results announcement have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statement for the year. The work performed by EY 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 EY on the results announcement.

Events after the Reporting Period

On January 6, 2021, the Company issued 200,000,000 Shares at an offer price of HK$4.36 per share in the Global Offering and is listed on the Main Board of the Stock Exchange.

Save as disclosed above, no other significant events of the Group occurred after the end of 2020.

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 December 31, 2020 will be dispatched to the Shareholders and 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, March 30, 2021

As at the date of this announcement, Mr. Zhai Shuchun, Ms. Qiao Huimin, Ms. Qin Yi and Mr. Li Xiaodong are the executive Directors; and Mr. Tang Baoqi, Ms. Jing Liping and Mr. Ye Jinfu are the independent non-executive Directors.