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NEWLINK TECHNOLOGY INC.

新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9600)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | |
|-----------------------|-------------------------------------|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Revenue | 67,404 | 58,755 |
| Gross profit | 30,301 | 24,549 |
| Profit before tax | 2,335 | 4,631 |
| Income tax expenses | (1,104) | (1,577) |
| Profit for the period | 1,231 | 3,054 |
| | As of 30 June 2021 RMB'000 | As of 31 December 2020 RMB'000 |
| Total assets | 892,926 | 258,480 |
| Total liabilities | 33,381 | 59,107 |
| Total equity | 859,545 | 199,373 |

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 the unaudited consolidated results of the Group for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | Notes | For the six months ended 30 June | |
|---|-------|--|--|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Audited) |
| REVENUE | 4 | 67,404 | 58,755 |
| Cost of sales | 5 | <u>(37,103)</u> | <u>(34,206)</u> |
| Gross profit | | 30,301 | 24,549 |
| Other income and gains | | 2,184 | 1,210 |
| Selling and distribution expenses | | (5,153) | (3,770) |
| Administrative expenses | | (15,956) | (12,269) |
| Research and development costs | 5 | (6,745) | (3,472) |
| Other expenses | | (1,677) | (1,317) |
| Finance costs | | <u>(619)</u> | <u>(300)</u> |
| PROFIT BEFORE TAX | 5 | 2,335 | 4,631 |
| Income tax expense | 6 | <u>(1,104)</u> | <u>(1,577)</u> |
| PROFIT FOR THE PERIOD | | <u>1,231</u> | <u>3,054</u> |
| Attributable to: | | | |
| Owners of the parent | | 1,232 | 3,053 |
| Non-controlling interests | | <u>(1)</u> | <u>1</u> |
| | | <u>1,231</u> | <u>3,054</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | 8 | <u>RMB0.16</u> <u>cents</u> | <u>RMB0.51</u> <u>cents</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------|
| | 2021 | 2020 |
| Notes | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| PROFIT FOR THE PERIOD | <u>1,231</u> | <u>3,054</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | <u>(536)</u> | <u>(990)</u> |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | (536) | (990) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | <u>(536)</u> | <u>(990)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>695</u> | <u>2,064</u> |
| Attributable to: | | |
| Owners of the parent | 696 | 2,063 |
| Non-controlling interests | <u>(1)</u> | <u>1</u> |
| | <u>695</u> | <u>2,064</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

| | | As of 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i> | As of 31 December 2020 <i>RMB'000</i> <i>(Audited)</i> |
|---|-------|--|--|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 3,523 | 2,361 |
| Right-of-use asset | | 9,018 | 9,222 |
| Contract assets | 11 | 1,424 | 1,402 |
| Long-term deposits | | 1,726 | 1,478 |
| Intangible assets | 9 | 31,657 | 18,195 |
| Deferred tax asset | | 580 | 333 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 47,928 | 32,991 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 135,425 | 107,248 |
| Contract assets | 11 | 38,227 | 40,507 |
| Prepayments, deposits and other receivables | | 4,661 | 8,603 |
| Cash and cash equivalents | 12 | 666,685 | 69,131 |
| | | <hr/> | <hr/> |
| Total current assets | | 844,998 | 225,489 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Trade payables | 13 | 3,413 | 6,265 |
| Contract liabilities | | 1,379 | 1,371 |
| Other payables and accruals | | 1,774 | 22,870 |
| Lease liabilities | | 3,748 | 2,639 |
| Interest-bearing bank borrowings | | 15,000 | 15,000 |
| Tax payable | | 3,487 | 4,917 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 28,801 | 53,062 |
| | | <hr/> | <hr/> |

| | | As of 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i> | As of 31 December 2020 <i>RMB'000</i> <i>(Audited)</i> |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| NET CURRENT ASSETS | | <u>816,197</u> | <u>172,427</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>864,125</u> | <u>205,418</u> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | <u>4,580</u> | <u>6,045</u> |
| Total non-current liabilities | | <u>4,580</u> | <u>6,045</u> |
| Net assets | | <u><u>859,545</u></u> | <u><u>199,373</u></u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 14 | 5 | 4 |
| Reserves | | <u>858,034</u> | <u>197,862</u> |
| | | 858,039 | 197,866 |
| Non-controlling interests | | <u>1,506</u> | <u>1,507</u> |
| Total equity | | <u><u>859,545</u></u> | <u><u>199,373</u></u> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendment to HKFRS 16
Amendment to HKFRS 16

Covid-19-Related Rent Concessions
*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

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

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

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

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any significant impact on the financial position and performance of the Group.

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) the financial institutions segment providing comprehensive and integrated solutions for our customers in the finance industry, such as banks, trust companies and other financial institutions;
- (b) the medical institutions segment 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) the others segment 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 resource 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.

| Six months ended 30 June 2021 | Financial institutions RMB'000 Unaudited | Medical institutions RMB'000 Unaudited | Others RMB'000 Unaudited | Total RMB'000 Unaudited |
|--------------------------------------|---|---|---|--|
| Segment revenue (note 4) | | | | |
| Sales to external customers | <u>58,707</u> | <u>8,697</u> | <u>–</u> | <u>67,404</u> |
| Segment results | 21,740 | 8,561 | – | 30,301 |
| <i>Reconciliation:</i> | | | | |
| Other income and gains | | | | 2,184 |
| Selling and distribution expenses | | | | (5,153) |
| Administrative expenses | | | | (15,956) |
| Research and development costs | | | | (6,745) |
| Other expenses | | | | (1,677) |
| Finance costs | | | | <u>(619)</u> |
| Profit before tax | | | | <u><u>2,335</u></u> |
| Six months ended 30 June 2020 | Financial institutions RMB'000 Audited | Medical institutions RMB'000 Audited | Others RMB'000 Audited | Total RMB'000 Audited |
| Segment revenue (note 4) | | | | |
| Sales to external customers | <u>53,053</u> | <u>2,720</u> | <u>2,982</u> | <u>58,755</u> |
| Segment results | 21,208 | 1,100 | 2,241 | 24,549 |
| <i>Reconciliation:</i> | | | | |
| Other income and gains | | | | 1,210 |
| Selling and distribution expenses | | | | (3,770) |
| Administrative expenses | | | | (12,269) |
| Research and development costs | | | | (3,472) |
| Other expenses | | | | (1,317) |
| Finance costs | | | | <u>(300)</u> |
| Profit before tax | | | | <u><u>4,631</u></u> |

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020.

| | Financial institutions <i>RMB'000</i> | Medical institutions <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------|---|---|---------------------------------|--------------------------------|
| Segment assets | | | | |
| 30 June 2021 (unaudited) | 140,150 | 5,542 | 29,384 | 175,076 |
| 31 December 2020 (audited) | 107,722 | 35,784 | 5,652 | 149,158 |
| | Financial institutions <i>RMB'000</i> | Medical institutions <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
| Segment liabilities | | | | |
| 30 June 2021 (unaudited) | 1,379 | – | – | 1,379 |
| 31 December 2020 (audited) | 1,337 | 34 | – | 1,371 |

Geographical information

During the period, 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 RMB21,361,000 (2020: RMB28,607,000) was 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.

| | For the six months ended 30 June | |
|------------|---|-------------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Customer A | 11,021 | 9,085 |
| Customer B | 10,340 | 13,304 |
| Customer C | N/A* | 6,218 |

* 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 period.

4. REVENUE

Revenue from contracts with customers

(a) Disaggregated revenue information

| For the six months ended 30 June 2021 | Financial institutions RMB'000 | Medical institutions RMB'000 | Others RMB'000 | Total RMB'000 |
|--|--------------------------------------|------------------------------------|-------------------|------------------|
| Types of goods or services | | | | |
| Software development services | 46,648 | 1,929 | – | 48,577 |
| Technical and maintenance services | 8,105 | – | – | 8,105 |
| Sale of standard software | 3,954 | 6,768 | – | 10,722 |
| Total revenue from contracts with customers | <u>58,707</u> | <u>8,697</u> | <u>–</u> | <u>67,404</u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 3,954 | 6,768 | – | 10,722 |
| Services transferred over time | 54,753 | 1,929 | – | 56,682 |
| Total revenue from contracts with customers | <u>58,707</u> | <u>8,697</u> | <u>–</u> | <u>67,404</u> |
| For the six months ended 30 June 2020 | Financial institutions RMB'000 | Medical institutions RMB'000 | Others RMB'000 | Total RMB'000 |
| Types of goods or services | | | | |
| Software development services | 43,473 | 2,720 | 1,368 | 47,561 |
| Technical and maintenance services | 8,778 | – | – | 8,778 |
| Sale of standard software | 802 | – | 1,614 | 2,416 |
| Total revenue from contracts with customers | <u>53,053</u> | <u>2,720</u> | <u>2,982</u> | <u>58,755</u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 802 | – | 1,614 | 2,416 |
| Services transferred over time | 52,251 | 2,720 | 1,368 | 56,339 |
| Total revenue from contracts with customers | <u>53,053</u> | <u>2,720</u> | <u>2,982</u> | <u>58,755</u> |

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:

| | For the six months ended 30 June | |
|--|---|------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Software development services | 1,210 | 1,384 |
| Technical and maintenance services | 161 | 116 |
| | 1,371 | 1,500 |

5. PROFIT BEFORE TAX

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

| | <i>Notes</i> | For the six months ended 30 June | |
|---|--------------|---|------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Cost of services rendered | | 37,103 | 34,206 |
| Research and development costs: | | | |
| Deferred expenditure amortised | 9 | 929 | 117 |
| Current year expenditure | | 5,816 | 3,355 |
| | | 6,745 | 3,472 |
| Employee benefit expense (including directors' and chief executives' remuneration): | | | |
| Wages and salaries | | 39,094 | 34,029 |
| Pension scheme contributions (defined contribution scheme) | | 6,660 | 5,146 |
| | | 45,754 | 39,175 |
| Depreciation of property and equipment | | 434 | 315 |
| Depreciation of right-of-use assets | | 2,081 | 2,194 |
| Rent concessions | | – | (330) |
| Amortisation of intangible assets | 9 | 3,075 | 1,330 |
| Impairment losses recognised for trade receivables | 10 | 1,329 | 1,030 |
| Impairment losses recognised for contract assets | 11 | 341 | 203 |
| Bank interest income | | (139) | (100) |
| Listing expenses | | 7,446 | 8,222 |
| Auditors' remuneration | | 50 | 28 |

6. 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% for the reporting periods.

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% for the relevant periods.

Hong Kong profits tax have been provided at the rate of 16.5% on the Group’s assembled profit derived from Hong Kong. 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 period are as follows:

| | For the six months ended 30 June | |
|---------------------------------|---|---------------------|
| | 2021 | 2020 |
| | RMB’000 | RMB’000 |
| | (Unaudited) | (Audited) |
| Current tax – Mainland China | 1,351 | 1,784 |
| Deferred tax | (247) | (207) |
| Total tax charge for the period | <u>1,104</u> | <u>1,577</u> |

7. DIVIDENDS

No dividends have been paid or declared by the Group during the six months ended 30 June 2021 (2020: nil).

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of 794,444,444 (2020: 600,000,000) ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2021 and 2020 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 14.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

| | For the six months ended 30 June | |
|---|---|----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| <u>Earnings</u> | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation | 1,232 | 3,053 |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation | 794,444,444 | 600,000,000 |
| Basic and diluted earnings per share | RMB0.16 cents | RMB0.51 cents |

9. INTANGIBLE ASSETS

| | Software license RMB'000 | Deferred development costs RMB'000 | Total RMB'000 |
|--|---|---|--------------------------|
| 30 June 2021 (unaudited) | | | |
| At 1 January 2021: | | | |
| Cost | 18,217 | 5,504 | 23,721 |
| Accumulated amortisation | (4,738) | (788) | (5,526) |
| Net carrying amount | 13,479 | 4,716 | 18,195 |
| At 1 January 2021, net of accumulated amortisation | 13,479 | 4,716 | 18,195 |
| Additions | 9,130 | 7,407 | 16,537 |
| Amortisation provided during the period (note 5) | (2,146) | (929) | (3,075) |
| At 30 June 2021, net of accumulated amortisation | 20,463 | 11,194 | 31,657 |
| At 30 June 2021: | | | |
| Cost | 27,347 | 12,911 | 40,258 |
| Accumulated amortisation | (6,884) | (1,717) | (8,601) |
| Net carrying amount | 20,463 | 11,194 | 31,657 |

| | Software license <i>RMB'000</i> | Deferred development costs <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---------------------------------------|--|-------------------------|
| 31 December 2020 (audited) | | | |
| At 1 January 2020 | | | |
| Cost | 12,439 | 899 | 13,338 |
| Accumulated amortisation | (2,198) | – | (2,198) |
| Net carrying amount | <u>10,241</u> | <u>899</u> | <u>11,140</u> |
| 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 | (2,540) | (788) | (3,328) |
| At 31 December 2020, net of accumulated amortisation | <u>13,479</u> | <u>4,716</u> | <u>18,195</u> |
| At 31 December 2020: | | | |
| Cost | 18,217 | 5,504 | 23,721 |
| Accumulated amortisation | (4,738) | (788) | (5,526) |
| Net carrying amount | <u>13,479</u> | <u>4,716</u> | <u>18,195</u> |

10. TRADE RECEIVABLES

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:

| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
|--------------------|--|--|
| Within 90 days | 36,677 | 46,507 |
| 91 to 180 days | 16,169 | 14,592 |
| 181 days to 1 year | 42,342 | 22,627 |
| 1 year to 2 years | 32,704 | 23,522 |
| 2 years to 3 years | 7,533 | – |
| | <u>135,425</u> | <u>107,248</u> |

11. CONTRACT ASSETS

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---------------------|---|---|
| Contract assets | 40,360 | 42,277 |
| Impairment | (709) | (368) |
| | 39,651 | 41,909 |
| Analysed into: | | |
| Current portion | 38,227 | 40,507 |
| Non-current portion | 1,424 | 1,402 |

12. CASH AND CASH EQUIVALENTS

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|------------------------|---|---|
| Cash and bank balances | 666,685 | 69,131 |
| Denominated in: | | |
| RMB | 28,663 | 68,393 |
| US\$ | 15,232 | 687 |
| HK\$ | 622,790 | 51 |

As at 30 June 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB666,685,000 (2020: RMB69,131,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

13. TRADE PAYABLES

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

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------|---|---|
| Within 3 months | 2,090 | 6,248 |
| 3 to 6 months | – | 3 |
| 6 months to 1 year | 1,309 | – |
| Over 1 year | 14 | 14 |
| | 3,413 | 6,265 |

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

14. SHARE CAPITAL

| | Number of shares in issue | Par value US\$ | Issued capital US\$ | Issued capital RMB'000 |
|-------------------------------------|------------------------------|-------------------|------------------------|---------------------------|
| As at 1 January 2019 | — | — | — | — |
| Upon establishment | 500 | 1 | 500 | 3 |
| Issue of shares on 29 November 2019 | 5 | 1 | 5 | —* |
| Share subdivision (1/1,000,000) | 505,049,995 | — | — | — |
| After share subdivision | 505,050,500 | 0.000001 | 505 | 3 |
| Issue of shares on 30 December 2019 | 44,400,000 | 0.000001 | 44 | 1 |
| Capitalisation issue | 50,549,500 | 0.000001 | 51 | —* |
| As at 31 December 2019 and 2020 | 600,000,000 | 0.000001 | 600 | 4 |
| Issue of shares on 6 January 2021 | 200,000,000 | 0.000001 | 200 | 1 |
| As at 30 June 2021 | <u>800,000,000</u> | | <u>800</u> | <u>5</u> |

* Less than RMB1,000

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

BUSINESS REVIEW AND OUTLOOK

Overview

As a leading technology-driven IT solution service provider in China, the Company has a strong R&D system, including an independent software development centre, and collaborates with a number of renowned domestic universities to carry out technological innovation and product research and development in the fields of big data and artificial intelligence based on national laboratories. As at the end of June 2021, the Company's R&D team had rapidly expanded to over 85 R&D personnel. As at the date of this announcement, the Company owned 60 software copyrights and one patent and had a pending patent application.

By providing traditional software-driven solutions and innovative solutions powered by artificial intelligence and big data analytics, the Company helps customers in the financial industry realize the digitization of data collation, business inspection, identification and verification, file desensitization and other processes, and further assists them to expand sales, reduce personnel costs and improve work efficiency. The implementation of such solutions can effectively improve the profitability and financial structure of customers in the financial industry. Meanwhile, we also help medical and health regulatory authorities and single or group hospital customers realize distributed digital management and strengthen capabilities in multi-point monitoring and coordinated management of medical quality of hospitals, assist them to identify and automatically deal with medical risks in advance, and enable digital panoramic display and effective analysis of medical performance. The implementation of such solutions can effectively improve the medical quality management of our customers in the medical industry. In addition, we provide human resource management systems, budget management systems, project management systems and other related solutions for companies in the e-commerce, logistics and other industries, and will further research and develop and introduce robotic process automation (the “**RPA**”) solutions suitable for SME customers after the RPA integrated machine with high-applicability hits the market.

Business Review

Based on the seasonality of our project cycle, the first half of years have usually been slow seasons for the business. However, the revenue and the gross profit margin recorded improvement in the first half of 2021 as compared to the corresponding period of previous year. In the first half of 2021, the Company recorded a revenue of RMB67.4 million, representing an increase of 14.6% compared to the corresponding period in 2020, and a gross profit of RMB30.3 million, representing an increase of 23.7% compared to the corresponding period in 2020. In the first half of 2021, with the normalization of COVID-19 prevention and control, the Company maintained stable business growth and gradually increased marketing and product promotion efforts, and further enhanced its brand awareness and market influence while ensuring the delivery of quality services. Meanwhile, the Company constantly enhanced its technological innovation capabilities and invested in R&D to develop innovative high value-added products that meet policy requirements, market expectations and customer needs. After the global offering of the Company (the “**Global Offering**”), in order to continuously optimize the internal governance structure, improve the management level, and balance management capacity building and business development, the Company also increased administrative expenses in attracting and gathering excellent management talents.

As at the end of June 2021, the traditional software-driven solutions provided by the Company to customers in the financial industry mainly included BEAI platform, unified payment platform system, and UnionPay card access and settlement reconciliation system; innovative solutions mainly included RPA platform, distributed trading platform, and over-the-counter bond book-keeping system. Leveraging its in-depth industry knowledge and extensive technological expertise, the Company customizes solutions according to the needs of financial customers, and consolidates the cooperation with customers by providing them with long-term, quality comprehensive solutions and premium after-sales, product upgrade and redevelopment services. During the six months ended 30 June 2021, in an effort to capitalize on the rapid growth of the RPA sector to speed up the application and promotion of RPA products, the Company signed the Tripartite Strategic Cooperation Agreement on Newlink AI Integrated Machine with iSOFT INFRASTRUCTURE SOFTWARE CO., LTD and Sichuan Huakun Zhenyu Intelligent Technology Co., Ltd. With the end-to-end integrated solutions of iSOFT Infrastructure Software and after a rigorous, standardized and systematic technical research, testing and adaptation process based on quick response to business needs, this cooperation can deeply combine the “Newlink AI Integrated Machine” with Kunpeng processor and apply them together in servers and desktop computers, and leverage Huawei’s technical experience and customer resources accumulated via applications in various industries to accelerate the promotion of “Newlink AI Integrated Machine” in the market.

As at the end of June 2021, the Company’s healthcare IT solutions included a series of products: comprehensive medical quality monitoring products, regional health management products, remote intelligent healthcare products, and comprehensive medical administration products. Among them, the core product medical quality control and safety warning platform is capable of real-time data mining and modeling based on massive medical data and is equipped with risk trend analysis and prediction functions, which is pioneering in the industry.

In the first half of 2021, in addition to continuously launching innovative products and services, the Company set up Xinjiang branch and Hainan subsidiary to tap into the needs of local customers, with a view to increasing the Company’s penetration into regional markets and facilitating its strategic expansion across the country.

Outlook

On 27 July 2021, the Company issued a voluntary announcement regarding the signing of a cooperation framework agreement between Beijing Newlink Technology Co., Ltd., a wholly-owned subsidiary of the Company, and ICBC Information and Technology Co., Ltd. (“**ICBC Technology**”), a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (“**ICBC**”). The parties will establish a partnership in the field of artificial intelligence with complementary advantages in basic capabilities in RPA, intelligent Q&A, intelligent recommendation, knowledge graphs, etc. Based on ICBC Technology’s AI research capabilities and basic products such as intelligent Q&A, intelligent recommendation and knowledge graphs as well as the Group’s product innovation capabilities and customer base in the field of RPA, the parties will offer integrated AI solutions, innovative products and technical services to customers in the financial and healthcare industries (such as ICBC) and governmental entities by combining their respective product advantages, in a joint effort to promote the application of AI in more scenarios and create value for customers in various industries. In the process of cooperation, the parties will jointly invest resources, leverage their respective advantages, and share the benefits of cooperation.

Looking forward to the second half of 2021, the Company will continue to consolidate its market position in the finance IT solution industry by developing innovative solutions and increasing marketing efforts for innovative products related to RPA solutions. In the meantime, the Company will further develop healthcare IT solutions powered by AI capabilities and big data analysis, adhere to the technology-driven strategic positioning, and further enhance technical strength and core competitiveness.

In addition, the Company will continue to develop key technologies for artificial intelligence and big data analysis applications and enterprise-level SaaS services, and seek strategic alliances or look for target companies with appropriate technologies, customer bases or business models to acquire. During the six months ended 30 June 2021, the Company disclosed the memorandum of intent entered into with the substantial shareholders of Jiangxi Samton Technology Development Co., Ltd.. The Company further disclosed the signing of the acquisition agreement in its announcement dated 15 August 2021. It is expected that through this acquisition (the “**Acquisition**”), the Company will extend its business presence, strengthen the comprehensive competitiveness of its innovative solutions, and broaden and deepen its business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 14.6% from RMB58.8 million for the six months ended 30 June 2020 to RMB67.4 million for the corresponding period in 2021, primarily due to (1) the increase in our revenue from healthcare big data solutions for healthcare institutions from RMB2.7 million for the six months ended 30 June 2020 to RMB8.7 million for the corresponding period in 2021, and (2) the increase in our revenue from IT solutions for financial institutions from RMB53.1 million for the six months ended 30 June 2020 to RMB58.7 million for the corresponding period in 2021. During the same periods, no revenue from IT solutions for other enterprises was recorded.

The following analysis sets forth a breakdown of our revenue by industry sector of end users for the six months ended 30 June 2020 and 2021, respectively.

IT solutions for financial institutions

Our revenue generated from IT solutions for financial institutions increased by 10.5% from RMB53.1 million for the six months ended 30 June 2020 to RMB58.7 million for the corresponding period in 2021, primarily due to (1) the increase in the number of our customers in the finance industry from 43 for the six months ended 30 June 2020 to 64 for the corresponding period in 2021, 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 significantly from RMB2.7 million for the six months ended 30 June 2020 to RMB8.7 million for the corresponding period in 2021, primarily due to (1) the increase in the number of our customers from 11 medical institutions for the six months ended 30 June 2020 to 17 for the corresponding period in 2021, and (2) the launch of our new products in the first half of 2021.

IT solutions for other enterprises

No revenue was generated from our IT solutions for other enterprises for the six months ended 30 June 2021, primarily because all the contracts we entered into with other enterprises for IT solutions have expired in 2020. We will continue to provide companies in the e-commerce, logistics and other industries with IT solutions, including human resource management systems, budget management systems, project management systems and other related solutions, boost revenue from this segment by developing generic RPA products and pursue new engagements with these companies.

Cost of sales

Our cost of sales increased by 8.5% from RMB34.2 million for the six months ended 30 June 2020 to RMB37.1 million for the corresponding period in 2021, primarily due to an increase of RMB3.4 million in the expenses for our technical support service suppliers, as a result of (1) an increase of RMB6.6 million in the outsourcing costs in relation to our enhanced outsourcing efforts to lower our labour cost and hence to reduce our unit cost of services, and (2) partially offset by an decrease of RMB3.9 million in our staff costs as we reallocated certain staff to our research and development department.

Gross profit and gross profit margin

As a result of the increase in our revenue for the six months ended 30 June 2021 as compared with the corresponding period in 2020 and the fact that our revenue increased at a greater pace than our cost of sales in the corresponding period, our gross profit increased by 23.7% from RMB24.5 million for the six months ended 30 June 2020 to RMB30.3 million for the corresponding period in 2021. Our gross margin increased from 41.6% for the six months ended 30 June 2020 to 45.0% for the corresponding period 2021, 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 increased by 83.3% from RMB1.2 million for the six months ended 30 June 2020 to RMB2.2 million for the corresponding period in 2021, primarily due to (1) an increase of RMB0.9 million in our tax refunds as a result of the significant increase in our sales of software products which are eligible for relevant tax return policies, and (2) an increase of RMB0.1 million in our interest income as a result of the increase in our bank deposits.

Selling and distribution expenses

Our selling and distribution expenses increased by 36.8% from RMB3.8 million for the six months ended 30 June 2020 to RMB5.2 million for the corresponding period in 2021, primarily due to (1) an increase of RMB0.8 million in employee-related expenses as we resumed to pay the employee-related expenses in full after the expiration of social insurance exemption policies which were introduced in the first half of 2020 to mitigate the impact of COVID-19 pandemic, and (2) the increase in our entertainment fees, conference support fees, service fees and travel fees in relation to our enhanced selling and marketing efforts.

Administrative expenses

Our administrative expenses increased from RMB12.3 million for the six months ended 30 June 2020 to RMB16.0 million for the corresponding period in 2021, primarily due to (1) the increase in service fees incurred by our offshore subsidiaries from RMB0.4 million for the six months ended 30 June 2020 to RMB2.1 million for the corresponding period in 2021, and (2) an increase of RMB1.1 million in employee-related expenses as we increased investment in attracting and gathering excellent management talents to optimize our internal corporate governance structure, improve the management level, and balance management capacity building and business development.

Research and development costs

Our research and development expenses increased by 91.4% from RMB3.5 million for the six months ended 30 June 2020 to RMB6.7 million for the corresponding period in 2021, primarily due to (1) an increase of RMB1.3 million in our staff costs as a result of the expansion of our research and development team in 2021, and (2) an increase of RMB1.6 million in the amortisation of intangible assets.

Other expenses

Other expenses increased by 30.8% from RMB1.3 million for the six months ended 30 June 2020 to RMB1.7 million for the corresponding period in 2021, primarily due to an increase of RMB0.4 million in our impairment loss recognised for trade receivables, which is in line with our business expansion.

Finance costs

Finance costs increased from RMB0.3 million for the six months ended 30 June 2020 to RMB0.6 million for the corresponding period in 2021, primarily due to the increase in our interest costs in connection with our unsecured interest-bearing bank loans in the amount of RMB15.0 million.

Profit before tax

As a result of the foregoing, our profit before tax decreased from RMB4.6 million for the six months ended 30 June 2020 to RMB2.3 million in the corresponding period in 2021.

Income tax expenses

Our income tax expenses decreased by 31.3% from RMB1.6 million for the six months ended 30 June 2020 to RMB1.1 million for the corresponding period in 2021, primarily due to the decrease in our taxable income as a result of the decrease in our profit before tax.

Profit for the six months ended 30 June 2021

As a result of the foregoing, our net profit decreased by 61.3% from RMB3.1 million for the six months ended 30 June 2020 to RMB1.2 million for the corresponding period in 2021. We recorded relatively small net margin of 1.8% for the six months ended 30 June 2021, primarily because we incurred listing expenses of RMB7.4 million in such period.

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 Main Board of the Stock Exchange of Hong Kong Limited (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.

| | For the six months ended 30 June | |
|-----------------------|---|-----------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the period | 1,231 | 3,054 |
| Add: | | |
| Listing expenses | 7,446 | 8,222 |
| | <hr/> | <hr/> |
| Adjusted net profit | 8,677 | 11,276 |
| | <hr/> | <hr/> |

Our adjusted net profit decreased by 23.0% from RMB11.3 million for the six months ended 30 June 2020 to RMB8.7 million for the corresponding period in 2021. Our adjusted net margin, a non-HKFRS measure, was 19.2% and 12.9% for the six months ended 30 June 2020 and 2021, respectively.

Liquidity, capital resources and capital structure

For the six months ended 30 June 2021, 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, bank borrowings and the net proceeds from the Global Offering.

Our bank borrowings as of 30 June 2021 amounted to RMB15.0 million, among which, (1) the bank borrowings of RMB10.0 million will be mature on 18 October 2021, with fixed interest rate of 5.0% per annum, and (2) the bank borrowings of RMB5.0 million will be mature on 19 May 2022, with fixed interest rate of 4.6% per annum. All the bank borrowings as of 30 June 2021 were denominated in Renminbi. All of our bank borrowings were primarily used for our daily operation and business expansion.

The Company continued to maintain a healthy and sound financial position. Our net current assets significantly increased from approximately RMB172.4 million as of 31 December 2020 to approximately RMB816.2 million as of 30 June 2021. Our cash and cash equivalents significantly increased from approximately RMB69.1 million as of 31 December 2020 to approximately RMB666.7 million as of 30 June 2021.

Exposure to exchange rate fluctuation

All of our operations are in China with all of our transactions being settled in Renminbi. 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 during the six months ended 30 June 2021. 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

For the six months ended and as of 30 June 2021, we did not have any capital commitments.

Contingent liabilities

As of 30 June 2021, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 21 December 2020 (the “**Prospectus**”) and the announcement of the Company dated 13 May 2021, as of 30 June 2021, we did not have other future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

For the six months ended 30 June 2021, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on Group’s assets

As of 30 June 2021, we had no charges on our assets.

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 six months ended 30 June 2021” and “Non-HKFRS measure” in this section of this announcement.

Our return on equity decreased from 16.6% for 2020 to 0.1% for the six months ended 30 June 2021, primarily due to the significant increase in our total equity and the decrease in our net profit.

Our gearing ratio decreased from 7.5% as of 31 December 2020 to 1.7% as of 30 June 2021, primarily due to the significant increase in our total equity. The calculation of gearing ratio is based on total borrowings divided by total equity as of 30 June 2021 and multiplied by 100.0%.

Employees

As of 30 June 2021, we had 468 employees. The staff costs including Directors’ emoluments were approximately RMB46.0 million for the six months ended 30 June 2021.

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

We 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.

OTHER INFORMATION

Use of Proceeds from Global Offering

The Company's shares were listed on the Stock Exchange on 6 January 2021 (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 (after deduction of underwriting fees and commissions and related costs and expenses) received by the Company from the Global Offering amounted to approximately HK\$790.4 million (the "**IPO Proceeds**").

In order to better utilize the financial resources of the Group and to capture favourable investment opportunities, on 15 August 2021, the Board resolved to change the use of approximately HK\$316.0 million out of the remaining unutilized IPO Proceeds as of 30 June 2021, which were originally allocated for the use as disclosed in the Prospectus (the "**Re-allocation**"). The Board considered that the Re-allocation was in the best interests of the Group and the Shareholders as a whole. For details of the reasons for and benefits of the Re-allocation, please refer to the Company's announcement dated 15 August 2021. The following table sets out the details of the IPO Proceeds originally raised, utilized and unutilized amount of the IPO proceeds as of the dates indicated and the re-allocated IPO Proceeds:

| | Original allocation of the IPO Proceeds | | As of 30 June 2021 | | Balance of the unutilized IPO Proceeds after the Re-allocation as of 30 June 2021 | | Expected timeline for the use of unutilized proceeds ⁽¹⁾ |
|--|--|--------------|------------------------|------------------------|--|--------------|---|
| | Percentage | Amount | Utilized | Unutilized | Percentage | Amount | |
| | % | HK\$ million | amount HK\$ million | amount HK\$ million | % | HK\$ million | |
| For developing new solutions and upgrading existing solutions | 80.0 | 632.3 | 18.7 | 613.6 | 54.2 | 414.6 | By December 2025 |
| – to develop and upgrade our medical quality control and safety warning system | 20.0 | 158.1 | 9.8 | 148.3 | 12.1 | 92.3 | |
| – to develop our clinical pathway management system | 20.0 | 158.1 | 2.4 | 155.7 | 13.9 | 106.5 | |
| – to develop our telemedicine system | 10.0 | 79.0 | – | 79.0 | 7.4 | 56.4 | |
| – to develop a new solution of intelligent healthcare platform | 10.0 | 79.0 | 3.4 | 75.6 | 7.0 | 53.6 | |
| – to upgrade our RPA solution | 20.0 | 158.1 | 3.1 | 155.0 | 13.8 | 105.8 | |
| For enhancing the sales and marketing efforts | 10.0 | 79.1 | 6.3 | 72.8 | 4.5 | 34.8 | |
| For working capital and other general corporate purposes | 10.0 | 79.0 | – | 79.0 | 0.0 | 0.0 | |
| Funds proposed to be used for the Acquisition | – | – | – | – | 41.3 | 316.0 | |
| Total | 100.0 | 790.4 | 25.0 | 765.4 | 100.0 | 765.4 | |

Note:

- (1) The expected timeline for utilising 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.

For the avoidance of doubt, if the Acquisition is not materialized, the use of the IPO Proceeds is expected to remain the same as originally allocated.

Compliance with Corporate Governance Code

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices. Since the Listing Date and up to 30 June 2021, 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 of the Company 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. 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 during the period from the Listing Date and up to 30 June 2021.

The Group’s employees, who are likely to be in possession of inside information of the Group, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company during the period from the Listing Date and up to 30 June 2021.

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 period from the Listing Date and up to 30 June 2021.

Audit Committee and Review of Financial Statements

The audit committee (the “**Audit Committee**”) of the Board (comprising three independent non-executive Directors, namely, Mr. Ye Jinfu (being the chairman of the Audit Committee), Mr. Tang Baoqi and Ms. Jing Liping) has reviewed with the management of the Company the interim results of the Company for the six months ended 30 June 2021.

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. The Audit Committee was satisfied that the Group’s interim financial results for the six months ended 30 June 2021 were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended 30 June 2021.

In addition, the Company’s external auditor, Ernst & Young, has performed an independent review of the Group’s interim condensed consolidated financial information for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity.”

Interim Dividends

The Board has resolved not to recommend the payment of interim dividends for the six months ended 30 June 2021 to the shareholders.

Subsequent Events

On 1 July 2021, Hainan Newlink Technology Co., Ltd. (海南新紐科技有限公司) (“**Hainan Newlink**”) was incorporated under the laws of the PRC with a registered share capital of RMB10.0 million, as a wholly-owned indirect subsidiary of the Company. With the incorporation of Hainan Newlink, we will further explore the needs of customers in Southeast coastal regions, expand business foothold in the regions and strengthen the Company’s cultivation and penetration of regional markets. In the meanwhile, the incorporation of Hainan Newlink also aims at laying out the healthcare IT business in the Hainan Free Trade Port Zone, further leveraging the benefits brought by favourable policies and seizing opportunities to empower and facilitate the business expansion of the Group.

On 15 August 2021, the Company entered into a share purchase agreement with shareholders of Samton (Cayman) Holdings Limited (the “**Target Company**”) to acquire the entire issued share capital of the Target Company at a maximum consideration of RMB486 million, upon the completion of which the Target Company will become a wholly-owned subsidiary of the Company. For details, please refer to the announcements of the Company dated 13 May 2021 and 15 August 2021, respectively.

Save as disclosed above, there were no other significant events of the Group occurred subsequent to the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xnewtech.com). The interim report of the Company for the six months ended 30 June 2021 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, 23 August 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.