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, 2021

FINANCIAL HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**205,752**	176,147
Gross profit	**74,598**	92,402
Profit before tax	**17,015**	40,284
Income tax expense	**(3,968)**	(8,255)
Profit for the year	**13,047**	32,029
Profit attributable to:		
Owners of the parent	**13,047**	32,029
Non-controlling interests	**–** [1]	– [1]

Note

1. Less than RMB1,000.

* *For identification purposes only*

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total assets	**873,338**	258,480
Total liabilities	**34,067**	59,107
Equity attributable to the owners of the parent	**837,764**	197,866
Non-controlling interests	**1,507**	1,507
Total equity	**839,271**	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**") hereby announces that the consolidated annual results of the Group for the year ended December 31, 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2020 are as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 *RMB'000*
REVENUE	*4*	**205,752**	176,147
Cost of sales	*5*	**(131,154)**	(83,745)
Gross profit		**74,598**	92,402
Other income and gains	*4*	**3,499**	2,058
Selling and distribution expenses		**(11,251)**	(9,682)
Administrative expenses		**(31,230)**	(30,427)
Research and development costs	*5*	**(8,865)**	(11,939)
Other expenses		**(8,605)**	(1,342)
Finance costs	*6*	**(1,148)**	(786)
Share of profits and losses of an associate		**17**	–
PROFIT BEFORE TAX	*5*	**17,015**	40,284
Income tax expense	*8*	**(3,968)**	(8,255)
PROFIT FOR THE YEAR		**13,047**	32,029
Attributable to:			
Owners of the parent		**13,047**	32,029
Non-controlling interests		**–***	–*
		13,047	32,029
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB1.64 cents**	RMB5.34 cents

* Less than RMB1,000.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**13,047**	32,029
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,889**	(488)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(9,657)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(7,768)**	(488)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,279**	31,541
Attributable to:		
Owners of the parent	**5,279**	31,541
Non-controlling interests	**–***	–*
	5,279	31,541

* Less than RMB1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**4,288**	2,361
Right-of-use assets		**6,480**	9,222
Intangible assets	*11*	**52,157**	18,195
Investment in an associate	*12*	**4,017**	–
Equity investment designated at fair value through profit or loss	*13*	**2,280**	–
Contract assets	*15*	**1,036**	1,402
Long-term deposits		**1,602**	1,478
Deferred tax asset		**1,334**	333
Total non-current assets		**73,194**	32,991
CURRENT ASSETS			
Trade receivables	*14*	**178,724**	107,248
Contract assets	*15*	**64,066**	40,507
Prepayments, deposits and other receivables		**5,430**	8,603
Due from a related party		**2,102**	–
Cash and cash equivalents		**524,258**	69,131
Pledged deposits		**1**	–
Restricted bank deposits		**24,522**	–
Other current assets		**1,041**	–
Total current assets		**800,144**	225,489
CURRENT LIABILITIES			
Trade payables	*16*	**11,651**	6,265
Contract liabilities		**616**	1,371
Other payables and accruals		**6,044**	22,870
Interest-bearing bank borrowings		**5,000**	15,000
Lease liabilities		**3,365**	2,639
Tax payable		**5,209**	4,917
Total current liabilities		**31,885**	53,062

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT ASSETS		**768,259**	172,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**841,453**	205,418
NON-CURRENT LIABILITIES			
Lease liabilities		**2,182**	6,045
Total non-current liabilities		**2,182**	6,045
Net assets		**839,271**	199,373
EQUITY			
Equity attributable to owners of the parent			
Share capital		**5**	4
Reserves		**837,759**	197,862
		837,764	197,866
Non-controlling interests		**1,507**	1,507
Total equity		**839,271**	199,373

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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 2021.

Information about subsidiaries

As of the date of 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		Principal activities
			Direct	Indirect	
Newlink Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Newlink Technology Holdings (Hong Kong) Limited	Hong Kong	HK$1	–	100	Investment holding
Newlink Technology (Beijing) Co., Ltd. ("Newlink Technology") (紐領科技(北京)有限公司)*/**	PRC/ Mainland China	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/ Mainland China	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/ Mainland China	RMB30,000,000	–	90	Software development and maintenance
Hainan Newlink Technology Co., Ltd. (海南新紐科技有限公司)**	PRC/ Mainland China	RMB10,000,000	–	100	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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance 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, except for equity investments which have been measured at fair value. 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 2021. 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 interests, even if this results in the non-controlling interests 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) 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.

(b) 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[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 HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying 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
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 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 HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current 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 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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

The Group is an IT solution service provider in Mainland China.

In prior years the Group managed its business based on the industry sectors of the customers and had three reportable operating segments being the financial institutions, the medical institutions and the other segment. In 2021, the Group increased the promotion of its artificial intelligence and big data solutions in various fields. In addition to maintaining its advantages of serving specific industries, such solutions were further applied to large and medium-sized state-owned and private enterprises, and were extended to various customers in coal power, the Internet of Things, the Internet, information technology services and other sectors. The Group also further captured a higher market share through strategic cooperation. Therefore, management has no longer monitored the results based on the industry sectors of the customers. The financial information reported to the chief operating decision maker is reflected through the overall operating performance of the Group for resource allocation and performance evaluation. Accordingly, no operating segment information is presented.

Geographical information

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

Information about major customers

Aggregated revenue of approximately RMB74,281,000 (2020: RMB58,823,000) was derived from the following single customers, which individually accounted for more than 10% of the Group's total revenue.

	2021	2020
	RMB'000	*RMB'000*
Customer 1	**20,877**	26,875
Customer 2	**19,570**	31,948
Customer 3	**33,834**	N/A*

* 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 years.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services		
Software development services	**155,747**	132,085
Technical and maintenance services	**17,059**	17,507
Sale of standard software	**32,946**	26,555
Total revenue from contracts with customers	**205,752**	176,147
Timing of revenue recognition		
Goods transferred at a point in time	**32,946**	26,555
Services transferred over time	**172,806**	149,592
Total revenue from contracts with customers	**205,752**	176,147

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:

	2021	2020
	RMB'000	*RMB'000*
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

(b) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Software development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days upon issuance of invoice and receipt of acceptance from customers on milestones as agreed by both parties. A certain percentage of payment is retained by customers until the end of the retention period.

Technical and maintenance services

The performance obligation is satisfied over time as services are rendered and the credit period granted to the customers is normally due upon completion of the service, which is normally for periods of one year or less, or are billed based on the actual time/work incurred, which are due within 30 to 180 days from the date of billing.

Sale of standard software

The performance obligation is satisfied upon acceptance of software and payment is generally due within 30 to 180 days from acceptance by customers, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**37,088**	18,631
After one year	**5,813**	7,462
	42,901	26,093

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to software development services and technical services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained and revenue that will be recognised using the right to invoice practical expedient.

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**635**	213
Interest income arising from revenue contracts	**15**	39
VAT refunds and other tax subsidies*	**2,807**	1,677
Investment income from financial assets at fair value through profit or loss	**–**	129
Others	**42**	–
	3,499	2,058

* Refunds of VAT on software products represent the refund upon payment of VAT with respect to the portion of any effective VAT rate in excess of 3% in respect of software product sales of the Group pursuant to the principles of the State Council document entitled "Certain Policies to Encourage the Development of Software Enterprise and the IC Industry" and the approval of the state taxation authorities.

5. PROFIT BEFORE TAX

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

	Notes	2021	2020
		RMB'000	*RMB'000*
Cost of inventories sold		**6,195**	–
Cost of services rendered		**124,959**	83,745
Research and development costs:			
Deferred expenditure amortised	*11*	**2,073**	788
Current year expenditure		**8,865**	11,151
		10,938	11,939
Employee benefit expense (including directors' and chief executives' remuneration *(note 7)*):			
Wages and salaries		**89,879**	75,579
Pension scheme contributions (defined contribution scheme)*		**15,956**	11,968
		105,835	87,547
Depreciation of property and equipment		**1,121**	732
Depreciation of right-of-use assets		**4,201**	4,258
Covid-19-related rent concessions from lessors		**–**	(330)
Amortisation of intangible assets**	*11*	**7,399**	3,328
Impairment losses recognised for trade receivables	*14*	**4,020**	902
Impairment losses recognised for contract assets	*15*	**1,206**	310
Foreign exchange differences, net		**3,376**	111
Bank interest income	*4*	**(635)**	(213)
Listing expenses		**6,967**	18,203
Auditors' remuneration		**2,200**	1,800

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions

** The amortisation of deferred development costs is included in the amortisation of intangible assets, the amortisation of intangible assets for the year is included in the cost of sales, administrative expenses, selling and distribution expenses and research and development expenses in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**684**	202
Interest on lease liabilities	**464**	584
	1,148	786

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Zhai Shuchun, Ms. Qin Yi, Ms. Qiao Huimin and Mr. Li Xiaodong have been appointed as executive directors of the Company since 2019. Mr. Tang Baoqi, Ms. Jing Liping and Mr. Ye Jinfu have been appointed as independent non-executive directors of the Company since 2020. Since 30 November 2021, Ms. Jing Liping resigned and Ms Yang Juan has been appointed as the independent non-executive director.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Fees	**299**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,021**	2,033
Pension scheme contributions	**291**	240
	2,312	2,273
	2,611	2,273

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021	2020
	RMB'000	*RMB'000*
Mr. Tang Baoqi	**100**	–
Mr. Ye Jinfu	**100**	–
Ms. Jing Liping	**91**	–
Ms. Yang Juan	**8**	–
	299	–

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(b) Executive directors and the chief executive

2021	**Fees** *RMB'000*	**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	**–**	**889**	**116**	**1,005**
Executive directors:				
Ms. Qin Yi	**–**	**411**	**63**	**474**
Ms. Qiao Huimin	**–**	**600**	**95**	**695**
Mr. Li Xiaodong	**–**	**121**	**17**	**138**
	–	**2,021**	**291**	**2,312**

2020	Fees *RMB'000*	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
	–	2,033	240	2,273

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 profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Pursuant to the PRC Enterprise Income Tax ("EIT") Law and the respective regulations, the subsidiaries in Mainland China are subject to income tax at a statutory rate of 25% during the year. A preferential tax treatment is available to Beijing Newlink, which was recognised as a High and New Technology Enterprise in December 2020 in Mainland China and a lower corporate income tax of 15% has been applied in 2020 and 2021. 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.

Hong Kong profits tax has been provided at the rate of 16.5% on the Group's assessable profits derived from Hong Kong during the reporting period. 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:

	2021	2020
	RMB'000	*RMB'000*
Current tax – Mainland China	**4,969**	8,460
Deferred tax	**(1,001)**	(205)
Total tax charge for the year	**3,968**	8,255

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:

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**17,015**		40,284	
Tax at the statutory tax rate	**4,254**	**25.0**	10,071	25.0
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	**(1,702)**	**(10.0)**	(4,028)	(10.0)
Super deduction for research and development expenses	**(1,192)**	**(7.0)**	(1,291)	(3.2)
Tax losses not recognised	**11**	**0.06**	–	–
Expenses not deductible for tax	**2,597**	**15.3**	3,503	8.8
Tax charge at the Group's effective tax rate	**3,968**	**23.3**	8,255	20.5

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 2021, 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 amount of temporary difference associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB118,649,000 as at 31 December 2021 (2020: RMB109,120,000).

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 2021 as tax deductible expense.

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

9. DIVIDENDS

No dividends have been paid or declared by the Group during the year ended 31 December 2021 (2020: nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 796,113,935 (2020: 600,000,000) in issue during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation (RMB'000)	**13,047**	32,029
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**796,113,935**	600,000,000
Basic and diluted earnings per share	**RMB1.64 cents**	RMB5.34 cents

11. INTANGIBLE ASSETS

	Software license *RMB'000*	**Deferred development costs** *RMB'000*	**Total** *RMB'000*
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	**13,479**	**4,716**	**18,195**
Additions – acquired	**20,338**	**–**	**20,338**
Additions – internal development	**–**	**21,023**	**21,023**
Amortisation provided during the year *(note 5)*	**(5,326)**	**(2,073)**	**(7,399)**
At 31 December 2021	**28,491**	**23,666**	**52,157**
At 31 December 2021:			
Cost	**38,556**	**26,527**	**65,083**
Accumulated amortisation	**(10,065)**	**(2,861)**	**(12,926)**
Net carrying amount	**28,491**	**23,666**	**52,157**

	Software license *RMB'000*	Deferred development costs *RMB'000*	Total *RMB'000*
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	10,241	899	11,140
Additions – acquired	5,778	–	5,778
Additions – internal development	–	4,605	4,605
Amortisation provided during the year *(note 5)*	(2,540)	(788)	(3,328)
At 31 December 2020	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

Development costs start to be amortised once the intellectual property rights are obtained. They are amortised using the straight-line basis over the commercial lives not exceeding three years. The carrying amount of deferred development costs assets start to be amortised was RMB1,931,000 during the year ended 2021 (2020: RMB4,933,000).

12. INVESTMENTS IN AN ASSOCIATE

	2021 ***RMB'000***	2020 RMB'000
Share of net assets	**4,017**	–

Particulars of the associate is as follows:

Name	Particulars of held issued shares	Place of incorporation/ registration and business	Date of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Beijing Yinxin Communication Technology Co., Ltd (北京銀信通合科技有限公司)*	Ordinary shares	PRC/ Mainland China	21 March 2018	40	Software development and maintenance

* The English name of this company represents the best effort made by the management of the Company to directly translate the Chinese names as it does not register any official English name.

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

The following table illustrates the aggregate financial information of the Group's associate that is not individually material.

	2021	2020
	RMB'000	*RMB'000*
Share of the associate's profit for the year	**17**	–
Share of the associate's total comprehensive income	**17**	–
Carrying amount of the Group's investments in the associate	**4,017**	–

13. EQUITY INVENSTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Unlisted equity investments, at fair value		
Beijing Fuhuajiaxin Business Incubator Company Limited. ("Fuhuajiaxin")	**2,280**	–

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

14. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**184,587**	109,091
Impairment	**(5,863)**	(1,843)
	178,724	107,248

Trade receivables represented the outstanding invoiced values for software development services, technical and maintenance services and sale of standard software receivable from the customers.

The Group's trading terms with its customers are mainly on credit. For software development services, the credit period granted to the customers is normally 30 to 180 days upon issuance of invoice and receipt of acceptance from customers during the course of contracts. The forms of acceptance evidenced the satisfaction from the customers of the progress of completion. For the sale of standard software, the credit period granted to the customers is normally 30 to 180 days after the goods were accepted by the customers, except for new customers, where payment in advance is normally required. For technical and maintenance services, the credit period granted to the customers is normally due upon completion of the service or 30 to 180 days from the date of billing.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of the largest state-owned financial institutions, hospitals, state-owned companies and large listed companies in Mainland China, there is certain concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2021 *RMB'000*	2020 *RMB'000*
Within 90 days	**60,434**	46,507
91 to 180 days	**27,765**	14,592
181 days to 1 year	**34,400**	22,627
1 year to 2 years	**44,995**	23,522
2 year to 3 years	**11,130**	–
	178,724	107,248

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

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**1,843**	941
Provision for expected credit losses	**4,020**	902
At the end of year	**5,863**	1,843

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. 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 2021	**Amount** ***RMB'000***	**Expected credit loss rate**	**Impairment** ***RMB'000***
Trade receivables aged:			
Within 180 days	**88,990**	**0.89%**	**791**
181 days to 1 year	**35,346**	**2.68%**	**946**
1 to 2 years	**47,183**	**4.64%**	**2,188**
2 to 3 years	**13,068**	**14.83%**	**1,938**
	184,587		**5,863**

31 December 2020	Amount *RMB'000*	Expected credit loss rate	Impairment *RMB'000*
Trade receivables aged:			
Within 180 days	61,259	0.26%	160
181 days to 1 year	23,184	2.40%	557
1 to 2 years	24,648	4.57%	1,126
	109,091		1,843

15. CONTRACT ASSETS

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*	1 January 2020 *RMB'000*
Contract assets	**66,676**	42,277	23,488
Impairment	**(1,574)**	(368)	(58)
	65,102	41,909	23,430
Analysed into:			
Current portion	**64,066**	40,507	22,635
Non-current portion	**1,036**	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 2021 and 2020 were 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:

	2021 *RMB'000*	2020 *RMB'000*
Within one year	**64,066**	40,507
After one year	**1,036**	1,402
Total contract assets	**65,102**	41,909

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

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**368**	58
Provision for expected credit losses	**1,206**	310
At end of year	**1,574**	368

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:

	2021	2020
Expected credit loss rate	**2.36%**	0.87%
Gross carrying amount *(RMB'000)*	**66,676**	42,277
Expected credit losses *(RMB'000)*	**1,574**	368

16. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**10,345**	6,248
3 to 6 months	**–**	3
6 months to 1 year	**1,306**	–
Over 1 year	**–**	14
	11,651	6,265

The trade payables are non-interest-bearing and are normally settled on 360-day terms.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year of 2021, the post-pandemic era, marked an extraordinary year for China, China's information technology industry and Newlink Technology, in which we have experienced too many challenges and baptisms. In 2021, the COVID-19 pandemic continued to spread around the globe. Facing the severe and complex challenges from the international situation, China was among the first to control the pandemic and the first to resume work and production. The year of 2021 was the first year of China's "14th Five-Year Plan". The period of the "14th Five-Year Plan" is known as an important opportunity period for IT-driven innovation to lead high-quality development, and a new stage for domestic informatisation to accelerate digital development and build a digital China. The year of 2021 also marked the first year of listing for Newlink Technology. The Group continued to invest in the development of application scenarios of artificial intelligence and big data analysis technology in various industries. While maintaining its advantages of IT-based services in various professional fields including finance and medical care, the Group sought for breakthroughs in new technologies and profit models. We also won many awards and credentials in the industry, among which, the awards in the field of artificial intelligence technology and the development of innovative solutions where we focus our research and development efforts include "Top 10 Leading Enterprises in the Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍企業)", the "Digital Innovation Model Award for 2021 (2021年度數字化創新典範獎)", "Top 50 Pioneer Enterprises in China's Financial Digital Transformation (中國金融數字化轉型先鋒企業 TOP50)", the "Bank AI + RPA Innovative Service Provider (銀行AI+RPA創新服務企業)", the "Best Banking Artificial Intelligence Solution for 2021 (2021 最佳銀行業人工智能解決方案獎)", the "Best IT-based Solution in the Medical Industry for 2021 (2021 醫療行業信息化最佳解決方案)", and I was honoured with the titles of "Top 10 Leaders in Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍人物)" and the "Informatisation Leader in the Medical Industry for 2021 (2021醫療行業信息化領軍人物)".

In 2021, Newlink Technology stepped up efforts to develop innovative solutions realizing in application scenarios of various industries based on artificial intelligence and big data analysis technology in terms of business strategy, R&D investment and market promotion. The Group's business development is based on in-depth study of the business model, development direction and competitive landscape of the industries in which its customers operate, as well as the continuous strengthening of its own technological research and development capabilities. In addition to maintain the continuous and stable development of traditional solutions business, by combining the application of artificial intelligence and big data analysis technology, we further helped customers to make deeper and more precise deployment in terms of improving efficiency, controlling service quality, reducing labor costs, accelerating marketing, and targeting customer groups, providing customers with more innovative and high value-added solutions that effectively reduce their costs and increase their output value. Our signature products include RPA solutions, RPA Integrated Machine and medical and health big data-based intelligent management solutions. Amidst the pandemic, we also deepened our review and introspection of our past operations, pushed forward the research and development of and promoted the application of SaaS products in financial and medical customers, and used technological means to help the industries in which our customers operate to carry out businesses through a new model of more convenient, prompter and safer online services under the general situation of rapid social and economic development and full of changes. In addition, while maintaining our advantages in serving professional fields, we successfully promoted RPA solutions or standardised RPA integrated machine products to large and medium-sized state-owned and private enterprises in industries such as coal power, Internet of Things, Internet and information technology services.

In 2021, the Group's total revenue increased from RMB176.1 million in 2020 to RMB205.8 million, representing an increase of 16.9%. Specifically, revenue from innovative solutions powered by artificial intelligence and big data analysis technologies reached RMB119.1 million, accounting for more than half of the revenue to 57.9% of the total revenue. In addition, the Group increased its investment in the research and development of innovative solutions. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. This also marked that, within four years since the launch of its first innovative solution product, the Group has initially realised its transformation from a traditional solution service provider to an artificial intelligence and big data solution service provider that can provide customers with high value-added solution services.

The year of 2022 will continue to be a year in which Newlink Technology maintains rapid development, and the "team" will become increasingly important in active management. Over the past year, many outstanding grassroots and middle-level employees of the Group have vigorously made extraordinary contributions at their ordinary posts, demonstrating the team's spirit of sincere cooperation and innovation. Looking ahead to 2022, we will continue to strengthen team building and talent management, deepen the incentive system of the Group, fully motivate the enthusiasm and creativity of our employees, attract and retain excellent management talents and business backbones, and improve the cohesion of the staff and the sustainable development competitiveness of the Group.

The year of 2022 is the first year for China's economy to resume to normal after the impact of the COVID-19 pandemic has subsided, which is directional for the start of the "14th Five-Year Plan". Newlink Technology will thoroughly study and implement the "14th Five-Year Plan" for National Informatisation Plan to make deployment arrangements for the development of informatisation in China during the "14th Five-Year Plan" period, diligently work in the field of digital construction services, accelerate the pace of IT-driven innovation and development on the basis of its independent research and development of software products, join hands with professional digital partners to promote the process of industrial digitalisation, build a more comprehensive industrial service system, bravely embrace new challenges brought about by the changing market and social environment, and deeply identify new opportunities and new spaces. Driven by policy dividends, we will continue to promote the application of cutting-edge technologies and the continuous innovation of solutions, increase efforts in technology research and development and market promotion, and further strengthen the development of key technologies and SaaS services for artificial intelligence and big data analysis applications. In addition, we will promote and apply RPA solutions and other innovative generic products to a wider range of customers to expand our own strengths, thereby helping more real industries to accelerate their digital transformation and contributing to the development of a digital China.

Finally, on behalf of the Board, I would like to express my deepest gratitude to all the employees and management of the Group 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 Group's business. We are of full confidence in the future. The Group will continue to expand its solution-offering advantages powered by artificial intelligence and big data analysis, and will continue to strengthen efforts to deepen its understanding of the industries in which our customers operate and achieve high added value of cutting-edge technologies in application scenarios, so as to further address more development pain points for more customers in various industries and to improve the quality of digitalisation-driven development of real industries. At the same time, we will actively identify target companies with appropriate technologies, customer bases or operation modes in our target markets for acquisition, and combine this with the refinement of our own business, so as to gradually expand the Company's development blueprint and create long-term value for our investors.

Mr. ZHAI Shuchun
Chairman and Chief Executive Officer

March 31, 2022

BUSINESS REVIEW AND OUTLOOK

Overview

As a leading technology-driven IT solution service provider based on its software products in China, Newlink Technology has always attached importance to the innovation of technologies and business models, and has been focusing on providing digital construction services for the real economy throughout the years, thus establishing our advantages of IT-based services in specific industries such as finance and medical care. Meanwhile, by actively deploying cutting-edge technologies such as artificial intelligence and big data analysis, the Group vigorously researched and developed innovative solutions and further deployed SaaS services in combination with cloud computing technology, launched and promoted more industry-specific or generic innovative solutions powered by artificial intelligence and big data analysis, which helps more industries accelerate their pace of digital transformation while upgrading and transforming ourselves to artificial intelligence and big data solution service providers.

On January 6, 2021, the Group was successfully listed on the Main Board of the The Stock Exchange of Hong Kong (the "**Stock Exchange**"). In 2021, the Group developed its business in accordance with the following strategic goals and strategies disclosed in the section headed "Business – Our Business Strategy" as set out in the Prospectus: on the one hand, to consolidate its market position in the financial IT solution industry and to increase efforts to upgrade and evolve innovative solution products based on the application of RPA technology; on the other hand, to increase investment in the research and development and business expansion of innovative medical IT solutions powered by data analysis and image and text recognition technologies. At the same time, the Group has stepped up its efforts to promote artificial intelligence and big data solutions to a wider range of industries. While maintaining its advantages of serving specific industries, the Group further applied its solutions to large and medium-sized state-owned and private enterprises, expanding its customer base to coal power, Internet of Things, Internet, information technology services and other industries.

In 2021, the Group's innovative solutions powered by key technologies such as artificial intelligence and big data analysis were fully promoted and applied in both general and specific industries including finance and medical care. The innovative solutions of the Group contributed more than half of the total revenue in 2021, marking that the Group's business has initially achieved the transformation from mainly providing traditional solution services to mainly providing innovative solutions. The innovative solutions of the Group mainly refer to the solutions in which RPA technology, image and text recognition technology, knowledge graphs and deep learning technology, intelligent control technology, data mining and analysis technology, cloud-based computing technology, distributed technology and other artificial intelligence and big data analysis are applied as key technologies. Up to now, the signature innovative solutions of the Group include, amongst others, RPA solutions and RPA Integrated Machine, medical and health big data intelligent management solutions. Specifically, the medical and health big data intelligent management solutions include a series of products: comprehensive medical quality monitoring solutions, regional health management solutions, remote intelligent healthcare solutions and comprehensive medical administration solutions.

In 2021, the Group increased its investment in independent research and development to improve its technological and product innovation, thereby enhancing the Group's innovation capabilities and technological leadership. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. As of December 31, 2021, the Group had 109 research and development employees with extensive experience in key technical fields of the software industry who focused on the research and development of artificial intelligence and big data solutions. Among them, 98% of the research and development personnel who were engaged in the research and development of products in specific industries such as finance and medical care are familiar with relevant industries, equipped with relevant industry expertise and have experience in developing relevant products for the industries. In 2021, the Group was also further recognised and affirmed by the industry. We have successively received various honours including "Top 100 in Industry Informatisation Competitiveness for 2021 – Top 20 in Software Information Services (2021行業信息化競爭力百強—軟件信息服務20強)","Top 10 Leading Enterprises in the Artificial Intelligence Industry for 2021 (2021年度人工智能行業十大領軍企業)", the "Digital Innovation Model Award for 2021 (2021年度數字化創新典範獎)", "Top 50 Pioneer Enterprises in China's Financial Digital Transformation (中國金融數字化轉型先鋒企業 TOP50)" and the "Bank AI + RPA Innovative Service Provider (銀行AI+RPA創新服務企業)". Our products and solutions have also won many credentials such as the "Best Banking Artificial Intelligence Solution for 2021 (2021最佳銀行業人工智能解決方案獎)", "Top 10 Outstanding Projects in the Global Fintech Application Scenario Competition for 2021 (2021全球金融科技應用場景大賽十大優秀項目獎)" and the "Best IT-based Solution in the Medical Industry for 2021 (2021醫療行業信息化最佳解決方案)".

In 2021, the Company established new branch companies and subsidiaries in Xinjiang, Hainan and other places and invested in joint ventures and associate companies to expand its business coverage, diversify product types, cultivate a market ecology relating to technological innovation, increase its penetration rate in regional markets and promote strategic expansion across the country. In addition, the Group has successively carried out strategic cooperation with a number of enterprises including Beijing Kingsoft Cloud Network Technology Co., Ltd. (北京金山雲網絡技術有限公司), Isoft Infrastructure Software Co., Ltd (普華基礎軟件股份有限公司), Sichuan Huakun Zhenyu Intelligent Technology Co., Ltd. (四川華鯤振宇智能科技有限責任公司) and ICBC Information and Technology Co., Ltd. (工銀科技有限公司) in key technology fields such as artificial intelligence, so as to achieve joint development and deepen partnership, and help accelerating the development of the Company's business by relying on the advantages enjoyed by various strategic partners in industry status, customer resources, technical experience, etc.

Outlook

Looking ahead, the year of 2022 is the first year for China's economy to resume to normal after the impact of the COVID-19 pandemic has subsided, which is directional for the start of the "14th Five-Year Plan". The period of the "14th Five-Year Plan" is known as an important opportunity period for IT-driven innovation to lead high-quality development, and a new stage for domestic informatisation to accelerate digital development and build a digital China. The Group will join hands with professional digital partners to promote the process of industrial digitalisation, bravely embrace new challenges brought about by the changing market and social environment, and deeply identify new opportunities and new spaces. Driven by policy dividends, the Group will continue to promote the application of cutting-edge technologies and the continuous innovation of solutions. The Group will rely on its profound knowledge in specific industries and extensive technical expertise in cutting-edge technology fields, further learn from the advantageous service experience accumulated in specific industries such as finance and medical care, and promote and apply innovative solutions to customers in general fields. By helping customers carry out more in-depth and accurate deployment in terms of improving work efficiency, controlling service quality, reducing labour costs, accelerating market promotion and targeting customer groups, the Group will provide customers with more innovative high value-added solution services which can effectively reduce their costs and increase their production value, establish and maintain long-term trustworthy relationships with customers, and continuously provide customers with product upgrade services to meet the changing needs of its large and stable customer base.

We are confident about our business prospects in the future. In 2022, we will increase our efforts in technology research and development and marketing, further strengthen the development of key technologies and SaaS service areas for artificial intelligence and big data analysis applications, promote innovative generic products such as RPA solutions to a wider range of customers and expand the application scope of innovative solutions in specific industries such as finance and medical care. In addition, we will also actively seek target companies with appropriate technology, customer base or operating model in the target market to explore possible acquisitions, deepen and expand strategic partnerships and explore partnership models, thereby further expanding the regional market. In the meanwhile, on top of the refinement of our business, the recruitment of outstanding technical personnel and the expansion of customer base, we will strive to gradually expand the Company's development blueprint and create long-term value for the investors.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group derived all revenue from the IT solution service business. The IT solution service business of the Group is to provide customers with various solutions comprising software development services, technical and maintenance services, sales of standard software and other services and products by applying IT technology according to their needs. Depending on the specific application technology, the Group's IT solutions can be divided into traditional solutions and innovative solutions, among which innovative solutions are solutions powered by key technologies such as artificial intelligence and big data analysis. During the Reporting Period, the Group's innovative solutions were applied not only in specific industries such as finance and medical care, but also in general industries; while its traditional solutions were mainly used in the finance industry.

In 2021, the Group recorded a revenue of RMB205.8 million, representing an increase of 16.9% from RMB176.1 million in 2020, mainly due to (1) revenue from our innovative solutions powered by artificial intelligence and big data analysis technologies recorded a year-on-year increase of 95.9% from RMB60.8 million to RMB119.1 million, accounting for 57.9% of total revenue in 2021; and (2) revenue from our traditional IT solutions remained basically stable, achieving a revenue of RMB86.7 million in 2021. In 2021, the growth in the Group's revenue was mainly due to the increased revenue from the innovative solutions.

The following analysis sets forth a breakdown of our revenue for the year of 2020 and 2021, respectively[Note].

Software development services

Our revenue generated from software development services increased by 17.9% from RMB132.1 million in 2020 to RMB155.7 million in 2021. Among the revenue generated from software development services, revenue from its innovative solutions amounted to RMB83.5 million, representing a year-on-year increase of 123.9%. During the Reporting Period, the Group's innovative solutions that generate revenue through the software development service model mainly include Robotic Process Automation ("**RPA**") solutions, smart park solutions, medical and health care big data intelligent management solutions and solution services powered by a series of technologies such as data mining and analysis, cloud-based computing, distributed database management, intelligent control, knowledge graph and deep learning, which were sold to financial institutions, medical institutions, large sized state-owned and private enterprises, etc.

Note: In 2021, the Group increased the promotion of its artificial intelligence and big data analysis solutions in various fields. In addition to maintaining its advantages of serving specific industries, such solutions were further applied to large and medium-sized state-owned and private enterprises, and were extended to various customers in coal power, the Internet of Things, the Internet, information technology services and other sectors. The Group also further captured a higher market share through strategic cooperation. As the original revenue breakdown by customer type can no longer reflect the Group's business development direction, nor can it show accurate breakdowns, the Group presents its revenue breakdown by software development services, technical and maintenance services, and sales of standard software.

Technical and maintenance services

Our revenue generated from technical and maintenance services in 2021 amounted to RMB17.1 million, representing a slight decrease of 2.3% from RMB17.5 million in 2020.

Sales of standard software

Our revenue generated from sales of standard software increased by 23.7% from RMB26.6 million in 2020 to RMB32.9 million in 2021. Among the revenue from sales of standard software, revenue from its innovative solutions amounted to RMB30.3 million, representing a year-on-year increase of 30.8%. During the Reporting Period, the Group's innovative solutions that generate revenue through the sales of standard software mainly include products such as the standardized RPA platform, the medical quality control and safety warning platform, and the intelligent healthcare platform.

Cost of sales

Our cost of sales increased by 56.6% from RMB83.7 million in 2020 to RMB131.1 million in 2021, mainly due to the increase in technical staff and remuneration, the prolonged project implementation as a result of the long-term impact of the novel coronavirus (COVID-19) pandemic, the increase in cost investment as well as the increased procurement scale of hardware and software to accelerate the promotion of our innovative solutions.

Gross profit and gross profit margin

Our gross profit decreased by 19.3% from RMB92.4 million in 2020 to RMB74.6 million in 2021. Our gross profit margin decreased from 52.5% in 2020 to 36.3% in 2021, mainly attributable to, in addition to the slower year-on-year growth of our revenue as compared with that of our cost of sales with reasons as discussed above, we made appropriate adjustments to the business expansion method and sales pricing strategy for some innovative solutions in order to rapidly expand the innovative solution market, increase its market share and maintain sufficient market opportunities.

Other income and gains

In 2021, the Group's other income and gains were RMB3.5 million, mainly comprising the income from sales of software products which were entitled to the income tax refund upon payment policy, as well as the bank interest income arising from the deposit of IPO Proceeds. Due to the year-on-year increase in revenue from sales of software in 2021, coupled with the fact that the Group was not listed in 2020, the bank interest income arising from the deposit of the IPO Proceeds was only incurred in 2021, resulting in a significant increase of 70.0% in other income and gains of the Group in 2021 as compared with the same period last year.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB9.7 million in 2020 to RMB11.3 million in 2021, representing a year-on-year increase of 16.5%, mainly due to our increased sales efforts, increased business promotion expenses, as well as the increased remuneration of marketing personnel as a result of the increase in sales activities following the stabilization of the COVID-19 pandemic.

Administrative expenses

In 2021, our administrative expenses remained relatively stable as compared with 2020, slightly increased from RMB30.4 million in 2020 to RMB31.2 million in 2021. Our administrative expenses mainly comprise (1) listing expenses and post-listing intermediary fees; and (2) employee-related salaries, benefits and bonuses.

Research and development costs

In 2021, our research and development costs were RMB10.9 million, which remained relatively stable as compared with 2020. In 2021, the Group invested a total of RMB45.6 million in research and development, representing a substantial increase of 154.7% from RMB17.9 million in 2020. The increase in research and development investment of the Group was mainly due to the increase in the number of research and development personnel from 55 as at the end of 2020 to 109 as at the end of 2021 as well as our increased investment in hardware and software equipment required by the research and development work. Since its listing, the Group has invested heavily in research and development. On the one hand, it has invested in the research and development of corresponding solutions according to the utlization plan of the raised funds; and on the other hand, it has also invested heavily in the research and development of technologies related to artificial intelligence and big data analysis. In 2021, the Group developed 40 items of software copyrights, including 32 items of software copyrights formed by developing or upgrading innovative solutions, accounting for more than one third of the total 91 items of software copyrights that the Group possessed as at the end of 2021.

Other expenses

In 2021, our other expenses amounted to RMB8.6 million, representing a substantial increase from RMB1.3 million in 2020, mainly due to losses arising from changes in exchange rates, impairments of accounts receivable and contract assets.

Finance costs

In 2021, our finance costs remained relatively stable as compared with 2020, slightly increasing from RMB0.8 million in 2020 to RMB1.1 million, mainly due to the increase in interest on bank borrowings.

Profit before tax

As a result of the foregoing, we recorded profit before tax of RMB17.0 million in 2021, representing a decrease of 57.8% from RMB40.3 million in 2020.

Income tax expenses

Our income tax expenses decreased by 51.8% from RMB8.3 million in 2020 to RMB4.0 million in 2021, mainly due to the decrease in profit before tax resulting in the decrease in income tax expense.

Profit for the year

Our net profit decreased from RMB32.0 million in 2020 to RMB13.0 million in 2021. Although profit for the year of the Group in 2021 recorded a year-on-year decrease of 59.4%, the Group's business is still in a period of rapid development, and the industry in which we operate and our strategic development goals remain unchanged. Such decline in profit in 2021 was mainly attributable to the prolonged project implementation as a result of the long-term impact of the pandemic, the increase in cost investment, and the requisite short-term adjustments to the Group's innovative solutions in the development stage in order to capture more development space and customer base in the future. From the perspective of the Group's long-term development, it is urgent to accelerate the pace of promoting its innovative solutions.

Liquidity, capital resources and capital structure

In 2021, our primary uses of cash were to fund our working capital requirements and research and development of our IT solutions. We financed our capital expenditures and working capital requirements principally with cash generated from our operations and bank borrowings.

Our bank borrowings as of December 31, 2021 amounted to RMB5.0 million, which will be mature on May 19, 2022, with fixed interest rate of 4.6% per annum. All of our bank borrowings was primarily used for our daily operation and business expansion.

The Group continued to maintain a healthy and sound financial position. Our net current assets increased from approximately RMB172.4 million as of December 31, 2020 to approximately RMB768.3 million as of December 31, 2021. Our cash and cash equivalents increased from approximately RMB69.1 million as of December 31, 2020 to approximately RMB524.3 million as of December 31, 2021.

Exposure to exchange rate fluctuation

For the year ended December 31, 2021, most of the Group's monetary assets were mainly denominated in Hong Kong dollars and Renminbi. Exchange rates are affected by local and international economic developments and political changes, as well as the supply and demand of Renminbi. Any appreciation or depreciation of Renminbi against Hong Kong dollars may affect the Group's results. The Group currently has not implemented any foreign currency hedging policy, but the management will closely monitor the risks and will consider the hedging of significant foreign currency risks when necessary.

Commitments

The Group has various contracted, but not provided short-term lease commitments at the end of 31 December 2021 (2020:nil). The future lease payments for these non-cancellable lease contracts are RMB287,000 due within one year.

Contingent liabilities

As of December 31, 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 and this announcement, as of December 31, 2021, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

On August 15, 2021, the Company, Samton (Cayman) Holdings Limited (the "**Target Company**"), the Vendors and the Guarantors (as defined in the Announcements) entered into a share purchase agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire 100% of the issued share capital of the Target Company. The maximum consideration for the acquisition is RMB486 million. On February 15, 2022, as certain conditions precedent under the share purchase agreement had not been satisfied or waived on the long-stop date and the parties thereto had not agreed to extend the long-stop date, the Company (as the purchaser) had exercised its right to terminate the share purchase agreement by serving a written notice. For details, please refer to the announcements of the Company dated August 15, 2021 and February 15, 2022 (the "**Announcements**").

Save as disclosed above, in 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments

In 2021, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on the Group's assets

As of December 31, 2021, we had no charges on our assets.

Principal Risks and Uncertainties

Due to the long-term impact of the novel coronavirus (COVID-19) pandemic, the implementation period of our projects has been extended with increased cost investment. In addition, we were also exposed to credit risks of our customers, our outstanding trade receivables and trade receivables turnover days remained at a relatively high level. As of December 31, 2020 and December 31, 2021, our trade receivables amounted to RMB107.2 million and RMB178.7 million, respectively. Our trade receivables turnover days in 2020 and 2021 were 186 days and 264 days, respectively. We recorded a large amount of receivables from certain customers with whom we have maintained a long-term business relationship, primarily including top-tier banks, trust companies, asset management companies and Class III Grade A hospitals, which are in good standing and have strong creditworthiness. However, such customers normally have stricter internal payment and settlement processes in addition to the long-term impact of the pandemic, which have led to a longer payment cycle of such customers.

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

Key Financial and Business Performance Indicators

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

Our return on equity decreased from 16.6% for 2020 to 1.6% for 2021, primarily due to the increase in our equity as a result of the listing of our Company and the decrease in net profit.

Our gearing ratio decreased from 7.5% as of December 31, 2020 to 0.6% as of December 31, 2021, primarily due to the increase in our total equity following our listing in 2021. 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 shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on January 6, 2021, whereby 200,000,000 new Shares were issued at the offer price of HK$4.36 per share by the Company. After deduction of the underwriting fees, commissions and other related costs and expenses, the net proceeds from the global offering of the Company amounted to approximately HK$790.4 million (the "**IPO Proceeds**").

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

	Original allocation of the IPO Proceeds		Utilized amount in 2021	Unutilized amount as at 31 December 2021	Expected timeline for the use of unutilized proceeds(1)
	Percentage	Amount			
		HK$ million	*HK$ million*	*HK$ million*	
For developing new solutions and upgrading existing solutions	**80.0%**	**632.3**	**80.4**	**551.9**	
– to develop and upgrade our medical quality control and safety warning system	20.0%	158.1	15.1	143.0	
– to develop our clinical pathway management system	20.0%	158.1	7.0	151.1	
– to develop our telemedicine system	10.0%	79.0	2.2	76.8	By December 2025
– to develop a new solution of intelligent healthcare platform	10.0%	79.0	16.9	62.1	
– to upgrade our RPA solution	20.0%	158.1	39.3	118.8	
For enhancing the sales and marketing efforts	**10.0%**	**79.1**	**14.1**	**65.0**	
For working capital and other general corporate purposes	**10.0%**	**79.0**	**64.5**	**14.5**	
Total	**100.0%**	**790.4**	**159.1**	**631.3**	

Notes:

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

(2) On January 7, 2022, the Board resolved to use no more than RMB100 million from the idle IPO Proceeds that are expected to remain idle for more than one year to subscribe for principal-protected short-term structured deposit products from qualified financial institutions subject to the following conditions: Neither the amount of any single structured deposit product subscribed by the Group nor the aggregate balance of the unmatured structured deposit products held by the Group at any time shall exceed RMB100 million. The proceeds to be generated from such subscribed structured deposit products will be used for the same purpose as the use of the IPO Proceeds. Term of any single principal-protected short-term structured deposit product subscribed by the Group shall not exceed six months. For further details, please refer to the announcement of the Company dated January 7, 2022.

(3) On January 7, 2022, Beijing Newlink Technology Company Limited used RMB100 million from the idle IPO Proceeds to subscribe for the principal-protected floating structured deposit issued by Bank of Ningbo Co., Ltd. for a term of 91 days.

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

Employees, Training and Remuneration Policies

As of December 31, 2021, the Group had 637 employees. The staff costs including Directors' emoluments were approximately RMB105.8 million in 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The purpose of the Post-IPO Share Option Scheme is to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

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

During the Reporting Period, the Company repurchased a total of 13,485,600 Shares of the Company on the Stock Exchange at a total consideration (including transaction costs) of approximately HK$29.7 million. The aforesaid repurchased shares were cancelled on December 17, 2021. Details of the Shares repurchased are as follows:

		Price per Share paid		
Month of repurchase	**Number of Shares repurchased**	**Highest price**	**Lowest price**	**Total consideration**
		(HK$)	*(HK$)*	*(HK$)*
October	12,000	1.82	1.80	21,760
November	13,473,600	2.34	1.97	29,663,664
Total	13,485,600			29,685,424

Saved as disclosed above, 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, 2021.

Final Dividend

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 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 Company's shares in issue were listed on the Stock Exchange on January 6, 2021 (the "**Listing Date**"), the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**", as new CG Code will be effective from January 1, 2022 (the "**New CG Code**"), but the CG Code used in this announcement is referred to the CG Code on or before December 31, 2021 but not the New CG Code) was applicable to the Company since the Listing Date. The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Group's corporate governance practices. Save as disclosed in this announcement, the Group has complied with the CG Code from the Listing Date to December 31, 2021. The Company will periodically review on its corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code effective from time to time.

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 of the Board 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 Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code from the Listing Date to December 31, 2021.

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. Yang Juan) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 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. 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, 2021.

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 December 31, 2021 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 7, 2022, Beijing Newlink Technology Company Limited, a wholly-owned subsidiary of the Company, used RMB100 million to subscribe for a structured deposit product issued by Bank of Ningbo Co., Ltd. for a term of 91 days. For details, please refer to the announcement of the Company dated January 7, 2022.

Save as disclosed above, no other significant events of the Group occurred after the end of 2021.

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, 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, March 31, 2022

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