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NEWLINK TECHNOLOGY INC.

新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9600)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	122,905	117,953
Gross profit	24,725	25,064
Loss before tax	(55,403)	(26,525)
Income tax expense	(15)	(482)
Loss for the period	(55,418)	(27,007)
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	945,290	947,685
Total liabilities	175,035	158,781
Total equity	770,255	788,904

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

The board (the “**Board**”) of directors (the “**Directors**”) of Newlink Technology Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	122,905	117,953
Cost of inventories sold and services rendered	6	<u>(98,180)</u>	<u>(92,889)</u>
Gross profit		24,725	25,064
Other income and gains	4	5,868	4,658
Change in fair value of contingent consideration		–	126
Change in fair value of equity investments at fair value through profit or loss		(4,262)	–
Selling and distribution expenses		(8,002)	(8,350)
Administrative expenses		(22,476)	(16,728)
Research and development expenses		(37,648)	(18,202)
Impairment losses on trade receivables and contract assets, net		(11,261)	(8,019)
Impairment loss on investment in an associate		–	(2,310)
Other expenses		(12)	(1,341)
Finance costs	5	(1,067)	(525)
Share of results of an associate		<u>(1,268)</u>	<u>(898)</u>
Loss before taxation	6	(55,403)	(26,525)
Income tax expense	7	<u>(15)</u>	<u>(482)</u>
Loss for the period		<u>(55,418)</u>	<u>(27,007)</u>
Other comprehensive (loss) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owned properties to investment properties		9	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>(1,598)</u>	<u>8,931</u>
		<u>(1,589)</u>	<u>8,931</u>
Total comprehensive loss for the period		<u><u>(57,007)</u></u>	<u><u>(18,076)</u></u>

	For the six months ended 30 June	
	2024	2023
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(55,226)	(26,758)
Non-controlling interests	(192)	(249)
	<u>(55,418)</u>	<u>(27,007)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(56,815)	(17,827)
Non-controlling interests	(192)	(249)
	<u>(57,007)</u>	<u>(18,076)</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Loss per share		
Basic and diluted	9 <u>(6.67)</u>	<u>(3.40)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment	10	15,706	16,912
Right-of-use assets		25,593	29,357
Investment properties		11,264	11,105
Goodwill		36,724	36,724
Intangible assets	11	110,568	122,361
Investment in an associate		3,031	4,299
Equity investments at fair value through profit or loss		30,153	30,100
Contract assets	13	1,062	1,012
Long-term deposits and prepayments	14	6,169	2,211
Deferred tax assets		694	694
		<u>240,964</u>	<u>254,775</u>
Current assets			
Inventories		2,169	2,169
Trade receivables	12	208,193	218,549
Contract assets	13	138,184	118,851
Equity investments at fair value through profit or loss		27,680	–
Prepayments, deposits and other receivables	14	8,896	10,471
Amounts due from related parties		12,316	12,316
Pledged deposits		3,317	96
Bank balances and cash		303,571	330,458
		<u>704,326</u>	<u>692,910</u>
Current liabilities			
Trade payables	15	80,414	71,741
Contract liabilities		11,921	14,412
Other payables and accruals	16	11,675	10,477
Dividends payable	8	6	28
Interest-bearing bank borrowings	17	20,000	8,005
Lease liabilities		5,590	5,590
		<u>129,606</u>	<u>110,253</u>

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Net current assets		<u>574,720</u>	<u>582,657</u>
Total assets less current liabilities		<u>815,684</u>	<u>837,432</u>
Non-current liabilities			
Lease liabilities		20,684	23,783
Deferred tax liabilities		3,745	3,745
Contingent consideration		<u>21,000</u>	<u>21,000</u>
		<u>45,429</u>	<u>48,528</u>
Net assets		<u>770,255</u>	<u>788,904</u>
Capital and reserves			
Share capital	18	7	5
Reserves		<u>769,813</u>	<u>786,966</u>
Equity attributable to owners of the Company		<u>769,820</u>	786,971
Non-controlling interests		<u>435</u>	<u>1,933</u>
Total equity		<u><u>770,255</u></u>	<u><u>788,904</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The Directors are responsible for the preparation of the Group’s interim condensed consolidated financial information. These interim condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix D2 to the Rule Governing the Listing of Securities on the Stock Exchange. These interim condensed consolidated financial information should be read in conjunction with the 2023 annual financial statement (the “2023 Annual Report”). The accounting policies adopted in preparing the interim condensed consolidated financial information for the six months ended 30 June 2024 are consistent with those in the preparation of the Group’s 2023 Annual Report, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2024 as described below.

Adoption of new/revised HKFRSs

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 21	Lack of Exchangeability

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

3. REVENUE AND SEGMENT INFORMATION

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

Information about major customers

Aggregated revenue of approximately RMB60,993,000 (30 June 2023: approximately RMB27,452,000) was derived from the following single customers, which individually accounted for more than 10% of the Group's total revenue.

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Customer 1	26,294	*
Customer 2	20,909	*
Customer 3	13,790	11,956
Customer 4	*	15,496
	<u> </u>	<u> </u>

* The correspondence revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective period.

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Types of goods or services		
Software development services	104,769	83,397
Technical and maintenance services	13,839	20,807
Sale of standard software	4,297	13,749
	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>122,905</u>	<u>117,953</u>
Timing of revenue recognition		
Goods transferred at a point in time	4,297	13,749
Services transferred over time	118,608	104,204
	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>122,905</u>	<u>117,953</u>

4. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	4,674	3,903
Value Added Tax (“VAT”) refunds and other tax subsidies (<i>Note</i>)	787	480
Others	407	275
	<u>5,868</u>	<u>4,658</u>

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

5. FINANCE COSTS

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on interest-bearing bank borrowings	352	69
Interest on lease liabilities	715	456
	<u>1,067</u>	<u>525</u>

6. LOSS BEFORE TAXATION

The Group's loss before taxation has been arrived at after charging (crediting):

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	<u>98,180</u>	<u>92,889</u>
Research and development expenses:		
Amortisation of deferred development costs (<i>Note (i)</i>)	18,690	11,503
Current year expenditure	<u>18,958</u>	<u>6,699</u>
	<u>37,648</u>	<u>18,202</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	65,773	74,615
Pension scheme contributions (defined contribution scheme)	<u>11,449</u>	<u>13,989</u>
	<u>77,222</u>	<u>88,604</u>
Depreciation of property and equipment	1,040	1,647
Depreciation of right-of-use assets	3,768	3,712
Amortisation of intangible assets (<i>Note (i)</i>)	25,871	18,327
Impairment losses recognised for trade receivables	11,128	8,084
Impairment losses (Reversal of impairment losses) for contract assets	133	(65)
Impairment loss on investment in an associate	–	2,310
Foreign exchange difference, net	<u>17</u>	<u>909</u>

Note:

- (i) The amortisation of deferred development costs is included in the amortisation of intangible assets. The amortisation of intangible assets for the period is included in cost of sales, selling and distribution expenses, administrative expenses and research and development expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

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

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax: PRC enterprise income tax (“EIT”)	15	482
Income tax expense	<u>15</u>	<u>482</u>

(i) Cayman Islands

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.

(ii) Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2023: 16.5%) on the Group’s estimated assessable profits arising from Hong Kong during the period. The Group had no assessable profits for the periods ended 30 June 2024 and 2023.

(iii) PRC

The income tax provision of the Group in respect of its operations in the Mainland China was subject to statutory tax rate of 25% on the assessable profits for the six months ended 30 June 2024 (30 June 2023: 25%), except for certain subsidiaries which obtained the “High and New Technology Enterprise” qualification with preferential tax rate of 15% (30 June 2023: 15%).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. For the Group’s PRC subsidiaries, the applicable rate is 10% (30 June 2023: 10%). Deferred tax liability is provided on the basis that the undistributed earnings of the Group’s entities are expected to be distributed in the foreseeable future. At 30 June 2024 and 30 June 2023, no deferred tax liability has been recognised as the remaining net earnings of the Group’s PRC subsidiaries are not expected to be distributed in the foreseeable future.

8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

9. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares issued during the six months ended 30 June 2024.

The Company has no potential dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(55,226)</u>	<u>(26,758)</u>
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>827,361,004</u>	<u>786,514,400</u>
Basic and diluted loss per share	<u>RMB cents (6.67)</u>	<u>RMB cents (3.40)</u>

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property and equipment with a cost of approximately RMB15,000 (30 June 2023: approximately RMB24,849,000), including electronic devices (30 June 2023: building, electronic devices and leasehold improvements).

11. INTANGIBLE ASSETS

During the six months ended 30 June 2024, additions and amortisation of intangible assets were approximately RMB14,078,000 (30 June 2023: approximately RMB26,996,000) and approximately RMB25,871,000 (30 June 2023: approximately RMB18,327,000) respectively. As at 30 June 2024, the carrying amount of the intangible assets of the Group included deferred development costs that are not yet available for use of approximately RMB16,650,000 (31 December 2023: approximately RMB22,740,000). The directors of the Company have not identified any significant adverse change in the projects related to the intangible assets included deferred development costs that are not yet available for use for the six months ended 30 June 2024 as compared to the year ended 31 December 2023.

12. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	262,638	261,866
Less: allowance for expected credit losses (“ECL”)	(54,445)	(43,317)
	208,193	218,549

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 following is an ageing analysis of the trade receivables as at the end of reporting periods, based on the recognition date of gross trade receivables and net of allowance for expected credit losses:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 90 days	76,673	38,518
91 days to 180 days	13,779	13,686
181 days to 365 days	23,017	33,610
1 year to 2 years	46,841	76,845
2 years to 3 years	36,989	49,955
Over 3 years	10,894	5,935
	208,193	218,549

13. CONTRACT ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract assets	140,199	120,683
Less: allowance for ECL	<u>(953)</u>	<u>(820)</u>
	139,246	119,863
Classified as:		
Current assets	138,184	118,851
Non-current assets	<u>1,062</u>	<u>1,012</u>
	139,246	119,863

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments	6,577	2,631
Rental deposits	2,211	2,211
Deposits and other receivables*	6,327	7,890
Less: allowance for ECL*	<u>(50)</u>	<u>(50)</u>
	15,065	12,682
Classified as:		
Current assets	8,896	10,471
Non-current assets	<u>6,169</u>	<u>2,211</u>
	15,065	12,682

* The comparative figure was represented to align with the current period presentation.

15. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	46,414	31,979
91 days to 180 days	2,065	5,248
181 days to 365 days	11,283	16,854
1 year to 2 years	4,054	3,981
Over 2 years	16,598	13,679
	<u>80,414</u>	<u>71,741</u>

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other payables	5,457	3,247
Accrued staff costs	626	1,215
Other tax payables	5,592	6,015
	<u>11,675</u>	<u>10,477</u>

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2024 RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	31 December 2023 RMB'000 (Audited)
Current:						
Bank loans – unsecured	3.85	2024	20,000	3.85	2024	8,005
	<u>3.85</u>	<u>2024</u>	<u>20,000</u>	<u>3.85</u>	<u>2024</u>	<u>8,005</u>

18. SHARE CAPITAL

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	<i>No. of shares</i>	<i>US\$</i>	<i>Equivalent to RMB'000</i>	<i>No. of shares</i>	<i>US\$</i>	<i>Equivalent to RMB'000</i>
Authorised:						
Ordinary shares of US\$0.000001 each	50,000,000,000	50,000		50,000,000,000	50,000	
Issued and fully paid:						
At the beginning of the period/year	786,514,400	787	5	786,514,400	787	5
New shares issued	157,302,880	157	2	–	–	–
At the end of the reporting period	943,817,280	944	7	786,514,400	787	5

On 14 May 2024, the Company issued a total of 157,302,880 new ordinary shares under general mandate at the subscription price of HK\$0.28 per share. The net proceeds from the subscription after deducting related expenses were approximately HK\$43,600,000 (equivalent to approximately RMB39,661,000), which intended to replenish general working capital of the Group. These shares rank pari passu with the existing shares in all respects.

19. COMPARATIVE FIGURES

The change in fair value of contingent consideration of approximately RMB126,000 that was included in other income and gains, and impairment loss on trade receivables and contracts assets, net of approximately RMB8,019,000 and impairment loss on investment in an associate of approximately RMB2,310,000 that were included in other expenses for the period ended 30 June 2023 were separately disclosed in the interim condensed consolidated statement of profit or loss and other comprehensive income in order to align with the current period presentation. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

BUSINESS REVIEW AND OUTLOOK

Overview

As a leading technology-driven IT solution service provider based on its independently developed software products in China, Newlink Technology has long been focusing on the application of innovative IT solutions, which concentrates on advanced technology innovations such as artificial intelligence and big data analysis, in various fields, and continuously provides high value-added IT solution services to customers in specific industries including finance, healthcare, transportation as well as general industries.

The Group remains committed to research and development of new products and new technologies and their application innovations, and has been promoting the integration of products and services. By doing so, the Group aims to provide customers in various industries with scenario-based comprehensive solutions that can satisfy needs of customers and enhance their competitiveness in their industries on the basis of Robotic Process Automation (RPA) solutions, smart park solutions, medical and health care big data intelligent management solutions and solution services powered by a series of technologies such as data mining and analysis, cloud-based computing, distributed database management, intelligent control, knowledge graph and deep learning, thus maintaining and improving competitiveness of our products and services in specific industries such as finance, healthcare and transportation.

Business Review

Since 2024, global economic growth momentum has been weak, with frequent issues such as geopolitical conflicts and international trade frictions. Insufficient effective demand in China and significant business pressures on the enterprises made it difficult and challenging to promote stable operation of the economy. In the first half of 2024, Newlink Technology experienced a low season of business and continuously faced many challenges in R&D, operation and development due to the complex macro external environment and the rapidly iterating and transformative industry development. In the first half of 2024, the Group achieved a slight increase in revenue by 4.2% compared to the corresponding period of last year, amounting to RMB122.9 million. Affected by the increase in cost of sales by 5.7% compared to the corresponding period of last year to RMB98.2 million, resulting in a slight year-on-year decrease of 1.6% in gross profit to RMB24.7 million. In the first half of 2024, the loss attributable to owners of the Company amounted to RMB55.2 million, representing a year-on-year increase of loss of RMB28.4 million, which was mainly due to (i) a significant increase in research and development expenses resulting from an increase in the amortisation of the Group's deferred development costs and an increase in the number of research projects, and (ii) an increase in expected credit losses on trade receivables, as well as the combined impact of an increase in administrative expenses and the addition of fair value losses of equity investments at fair value through profit or loss.

In the first half of 2024, all of the Group's revenue were derived from IT solution services business. Among them, the software development services business, which has been the largest contributor to revenue for a long time, continued to maintain its position accounting for a major share, which was up to 85.3% of the Group's total revenue. At the same time, the revenue from this business also achieved a significant growth trend and amounted to RMB104.8 million, representing a year-on-year increase of 25.7%. In the first half of 2024, among the revenue generated from the Group's software development services, the revenue from innovative solutions applying innovative technologies such as artificial intelligence and big data analysis amounted to RMB60.1 million, accounting for 57.3% of the revenue from software development services. In addition, our revenue from technical and maintenance services and standard software sales business both experienced a significant decline compared to the corresponding period of the previous year. However, since the revenue from these two businesses accounted for less than 15% of the Group's total revenue, their overall impact was relatively weak and did not change the trend of year-on-year growth in the Group's total revenue.

In the first half of 2024, on one hand, the Group continued to invest in research and development, and on the other hand, the Group vigorously promoted the implementation of its business in markets other than the Mainland China. As of 30 June 2024, the Group owned a total of 225 software copyrights, including 21 software copyrights newly obtained in 2024. In addition, as the first solution project serving overseas medical industry supported by successfully customized development, implementation and operation and maintenance services under Newlink Technology, the "International Medical Platform Service Project – Construction Part of Traditional Chinese Medicine Medical Record System", which was provided by Beijing Newlink with development and operation and maintenance services, also successfully passed the client's acceptance in January 2024.

In the first half of 2024, Newlink Technology, the Chairman of the Board of Newlink Technology and Beijing Newlink, a major operating entity under the Group, received multiple industry-related honors respectively. Among them, Newlink Technology and Mr. ZHAI Shuchun (翟曙春), an executive Director, the chairman of the Board and the CEO, were respectively awarded the titles of "2024 Outstanding Medical Technology Innovation Award (2024傑出醫療科技創新獎)" and "2024 Influential Person of Technology Innovation (2024科技創新影響力人物)" in the selection of the 13th Financial Summit and Innovative Entrepreneurs Festival (第十三屆財經峰會暨創新企業家節) and were respectively awarded "Hainuo Award – 2024 Outstanding Digital Innovation Enterprise (海諾獎-2024傑出數字化創新企業)" and "Hainuo Award – 2024 Leader of Excellent Innovation (海諾獎-2024卓越創新力領導人物)" in 2024 (the 5th) Brand Innovation Development Conference (2024 (第五屆) 品牌創新發展大會) "Hainuo Award" selection. In addition, the relevant case that Beijing Newlink participated in the research and development was successfully listed in the "Speech and Semantics Category" of the "2023 China Medical AI Practice Exemplary Cases' selection (2023年度中國醫療人工智能實踐典型案例)".

Outlook

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 of technology, the Group’s IT solutions can be divided into traditional solutions and innovative solutions, among which innovative solutions are solutions powered by key technologies such as artificial intelligence and big data analysis. During the Reporting Period, the Group’s innovative solutions not only provided tailored services to customers in specific fields such as finance, medical care and transportation based on customer needs, but also sold standard products and services to customers; while its traditional solutions were mainly used in the fields like finance and transportation.

During the Reporting Period, the Group recorded a revenue of RMB122.9 million, representing an increase of 4.2% from RMB118.0 million for the corresponding period of last year. The increase in the Group’s revenue during the Reporting Period was mainly due to the increase in revenue from software development service, representing 85.3% of Group’s total revenue.

The following analysis sets forth a breakdown of our revenue for the six months ended 30 June 2024 and the corresponding period in 2023, respectively:

Software development services

During the Reporting Period, our revenue from software development services increased by 25.7% from RMB83.4 million for the corresponding period of last year to RMB104.8 million for the Reporting Period. Among the revenue from software development services, revenue from innovative solutions amounted to RMB60.1 million, accounting for 57.3% of our revenue from software development services. During the Reporting Period, the Group's innovative solutions that generate revenue through the software development service model mainly include RPA solutions, smart park solutions, medical and health care big data intelligent management solutions and solution services powered by a series of technologies such as data mining and analysis, cloud-based computing, distributed database management, knowledge graph and deep learning, which were sold to financial institutions, medical institutions, and large-scale state-owned and privately-owned transportation enterprises, etc.

Technical and maintenance services

During the Reporting Period, our revenue from technical and maintenance services amounted to RMB13.8 million, representing a decrease of 33.7% from RMB20.8 million in the corresponding period of last year.

Sale of standard software

During the Reporting Period, our revenue from sale of standard software decreased by 68.6% from RMB13.7 million in the corresponding period of last year to RMB4.3 million. Although the year-on-year decline in revenue from this business was significant, its actual proportion of total revenue is low, it has not changed the overall growth trend of the Group's revenue. Among the revenue from sales of standard software, revenue from its innovative solutions amounted to RMB3.8 million, accounting for 88.4% of our revenue from sale of standard software. During the Reporting Period, the Group's innovative solutions that generate revenue through the sales of standard software mainly include products such as the medical quality control and safety warning platform, and the intelligent healthcare platform.

Cost of sales

During the Reporting Period, the Group's cost of sales was RMB98.2 million, representing an increase of 5.7% from RMB92.9 million in the corresponding period of last year, mainly due to greater implementation cost associated with the increased revenue of software development services business.

Gross profit and gross profit margin

Our gross profit decreased from RMB25.1 million in the corresponding period of last year to RMB24.7 million in the Reporting Period. Our gross profit margin decreased from 21.2% for the corresponding period in 2023 to 20.1% for the six months ended 30 June 2024. The decrease in gross profit and decline in gross profit margin were mainly due to that the increase in cost of sales from the software development services business which was greater than the increase in revenue therefrom.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB5.9 million, representing an increase of 25.5% from RMB4.7 million in the corresponding period of last year, due to the increase in bank interest income, VAT refund and exchange gains.

Liquidity, financial and capital resources

As of 30 June 2024, the Group's total available cash balance (the sum of bank balances, cash and time deposits) was RMB303.6 million.

Our bank borrowings as of 30 June 2024 amounted to RMB20.0 million, of which RMB6.08 million, RMB1.78 million, RMB0.15 million, RMB0.87 million, RMB6.85 million and RMB4.26 million, maturing on 27 December 2024 and RMB0.01 million maturing on 1 November 2024, all borrowings have fixed interest rate of 3.85% per annum. All of our bank borrowings were primarily used for our daily operation and business expansion.

The Group continued to maintain a healthy and sound financial position. Our net current assets decreased from approximately RMB582.7 million as of 31 December 2023 to approximately RMB574.7 million as of 30 June 2024.

Fair value losses of equity investments at fair value through profit or loss

During the Reporting Period, the Group recorded fair value losses of equity investments at fair value through profit or loss of RMB4.3 million, caused by fluctuations in the fair value of stocks purchased in the secondary market.

Selling and distribution expenses

Our selling and distribution expenses decreased by 4.8% from RMB8.4 million for the six months ended 30 June 2023 to RMB8.0 million for the six months ended 30 June 2024. The decrease in selling and distribution expenses was mainly due to the decrease in the number of sales personnel.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB22.5 million, representing an increase of 34.7% as compared with RMB16.7 million in the corresponding period of last year, mainly due to increased payment of staff severance compensation and increasing allocation of administrative expenses to management personnel due to a year-over-year decrease in the number of employees in the Group.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB37.6 million, representing an increase of 106.6% as compared with RMB18.2 million in the corresponding period of last year, primarily due to the increase in the amortisation of the Group's deferred development costs, with the increase in the number of research and development projects.

Since its listing, the Group has continuously invested heavily in research and development. On the one hand, it has invested in the research and development of corresponding solutions according to the utilization plan of the raised funds; and on the other hand, it has also accelerated in terms of investing heavily in the research and development of technologies related to artificial intelligence and big data analysis. As of 30 June 2024, the Group had a total of 225 items of software copyrights, including 21 items of software copyrights newly formed by developing or upgrading innovative solutions in the six months ended 30 June 2024, accounting for 100% of the total 21 items of software copyrights newly developed in the six months ended 30 June 2024.

Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB0.01 million.

Impairment losses on trade receivables and contract assets, net

The impairment losses under expected credit loss model of RMB11.3 million during the Reporting Period was mainly due to the increase in expected credit losses on trade receivables balances for more than two years.

Share of results of an associate

During the Reporting Period, the Company recorded share of investment loss of an associate of RMB1.3 million, which was due to the associate, Beijing Heshun Huikang Technology Co., Ltd. (北京和順慧康科技有限公司), which is invested in by the Group's acquired subsidiary, Beijing Neusoft Yuetong Software Technology Co., Ltd. (北京東軟越通軟件技術有限公司), incurring losses during the Reporting Period.

Finance costs

During the Reporting Period, our finance costs increased from RMB0.5 million for the six months ended 30 June 2023 to RMB1.1 million, which remained relatively stable.

Loss before tax

As a result of the foregoing, the Group recorded a loss before taxation of RMB55.4 million during the Reporting Period, as compared to the loss before taxation of RMB26.5 million in the corresponding period of last year.

Income tax expense

We recorded income tax expense of RMB0.02 million for the six months ended 30 June 2024 as compared to the income tax expense of RMB0.5 million in the corresponding period of last year, mainly due to the increase of loss before tax.

Loss for the six months ended 30 June 2024

Due to the above reasons, we recorded a loss of RMB55.4 million for the six months ended 30 June 2024, as compared to a loss of RMB27.0 million in the corresponding period of last year.

Exposure to exchange rate fluctuation

For the six months ended 30 June 2024, the functional currency of companies operating in the PRC is Renminbi. Most of the Group's monetary assets were mainly denominated in US dollars and Renminbi. We manage foreign exchange risk by performing periodic reviews of our net foreign exchange exposures and try to minimise these exposures through natural hedges. We operate mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities.

Commitments

The Group has various contracted, but not provided short term lease commitments as of 30 June 2024 (2023: future lease payments of RMB0.7 million for such non-cancellable lease contracts). The future lease payments for these non-cancellable lease contracts are RMB0.2 million and due within one year.

Contingent liabilities

As of 30 June 2024, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in this announcement, the Group did not have future plans for material investments and capital assets as of 30 June 2024.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2024, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments

As of 30 June 2024, we did not hold any significant investments representing 5% or more of the Company's total assets as of 30 June 2024.

Charge on Group's assets

As of 30 June 2024, the Group had no charges on our assets.

Customer credit risk

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

During the track record period, we typically granted our customers a credit period depending on contract terms and our evaluation of customer's creditworthiness. In determining the actual length of credit terms granted to a specific customer, we consider various factors such as reputation, length of business relationship and past payment records. As of 30 June 2024, our trade receivables amounted to RMB262.6 million and we recorded impairment loss on trade receivables of RMB54.4 million. We are thus exposed to the risk that customers may delay or even be unable to pay when milestones are reached or upon completion of contracts. These may put our cash flow and working capital under pressure.

1. *The subsequent settlement is set out below in relation to the trade receivables as at 30 June 2024:*

	Gross amount <i>(RMB'000)</i>	Subsequent settlement <i>(RMB'000)</i>
Within 180 days	91,081	38,821
181 days to 1 year	23,184	5,115
1 to 2 years	49,719	3,325
2 to 3 years	49,804	1,372
Over 3 years	48,850	2,025
	<hr/>	<hr/>
Total	<u>262,638</u>	<u>50,658</u>

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

(1) Customers with strong creditworthiness

The trade receivable balance of the Group as of 30 June 2024 was mainly from large customers with good reputation and strong creditworthiness, the majority of which were Chinese state-owned enterprises and listed public companies, including top-tier banks, trust companies, asset management companies, Class III Grade A hospitals, railway bureaus, locomotive depots, railway information technology companies, railway bureau groups, airlines, aviation food companies, aviation materials companies, etc. Such customers are in good standing and have strong creditworthiness and bargaining power, and have stringent and extensive internal payment and settlement processes, which often require time-consuming internal approval processes before payments were made, resulting in further extension of their payment cycles. As of 30 June 2024, 68.8% of the trade receivable balance was recorded from Chinese state-owned enterprises and listed public companies.

In addition, the balance of trade receivables over 180 days as of 30 June 2024 was mainly recorded from Chinese state-owned enterprises and listed public companies with which the Group had longstanding cooperation, and there has been no recoverability issue in relation to trade receivables in previous years and both parties have maintained a good cooperation relationship.

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

As of 30 June 2024, the balance of trade receivables over 1 year amounted to RMB148.4 million, recorded from a total of 128 customers, among which 109 customers are still performing contracts with the Group so far, and the Group has continued to collect receivables since 30 June 2024.

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

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

The Company considers that it has entered into normal business arrangements with these customers and has not identified any issues of the recoverability of trade receivables or insufficient provision for impairment to date.

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

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

Key Financial and Business Performance Indicators

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

The Group's return on equity decreased from -3.2% in the six months ended 30 June 2023 to -7.2% in the six months ended 30 June 2024, primarily due to the loss recorded by the Group.

The Group's gearing ratio increased from 1.0% as at 31 December 2023 to 2.6% as at 30 June 2024, primarily due to the increase in bank borrowings. The calculation of gearing ratio is based on total borrowings divided by total equity as of the period end and multiplied by 100.0%.

Employees, Training and Remuneration Policies

As of 30 June 2024, the Group had 615 employees, decreasing by 83 employees compared to the same period of last year. The staff costs including Directors' emoluments were approximately RMB65.8 million for the six months ended 30 June 2024.

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

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

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to our employees' continuing education and development. We provide preemployment and regular continuing trainings to our employees, which we believe are effective in equipping them with the skill set and work ethics that we require. Also, we continuously provide comprehensive trainings to our technical staff, equipping them with knowledge and skills to perform a variety of functions on different projects and allowing us to quickly find qualified and suitable replacement internally in the event of employee's demission.

OTHER INFORMATION

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares in issue of the Company were listed on the Main Board of the Stock Exchange on 6 January 2021, whereby 200,000,000 new Shares were issued at the offer price of HK\$4.36 per share by the Company. After deduction of the underwriting fees, commissions and other related costs and expenses, the net proceeds from the Global Offering of the Company amounted to approximately HK\$790.4 million (with a surplus of HK\$140.3 million) (representing net proceeds of HK\$3.952 per new Share) (the “**IPO Proceeds**”).

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

As at the beginning of the Reporting Period, the unutilized amount for developing new solutions and upgrading existing solutions was HK\$237.1 million, HK\$83.2 million of which was intended to develop and upgrade the Group’s medical quality control and safety warning system, HK\$68.0 million of which was intended to develop the Group’s clinical pathway management system, HK\$37.4 million of which was intended to develop the Group’s telemedicine system, HK\$22.8 million of which was intended to develop a new solution of intelligent healthcare platform and HK\$25.7 million of which was intended to upgrade the Group’s RPA solution; the unutilized amount for enhancing the Group’s sales and marketing efforts was HK\$29.1 million.

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

	Original allocation of the IPO Proceeds		Allocation of IPO Proceeds after the Re-allocation ⁽¹⁾		Utilized amount during the Reporting Period	Unutilized amount as at the end of the Reporting Period	Expected timeline for the use of unutilized proceeds ⁽²⁾
	Percentage	Amount	Percentage	Amount			
	%	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	
For developing new solutions and upgrading existing solutions	80.0	632.3	72.8	575.5	50.1	187.0	
– to develop and upgrade the Group’s medical quality control and safety warning system	20.0	158.1	18.2	143.9	31.5	51.7	
– to develop the Group’s clinical pathway management system	20.0	158.1	18.2	143.9	3.1	64.9	
– to develop the Group’s telemedicine system	10.0	79.0	9.1	71.9	4.5	32.9	
– to develop a new solution of intelligent healthcare platform	10.0	79.0	9.1	71.9	3.2	19.6	By December 2025
– to upgrade the Group’s RPA solution	20.0	158.1	18.2	143.9	7.8	17.9	
For enhancing the Group’s sales and marketing efforts	10.0	79.1	9.1	72.0	7.4	21.7	
For working capital and other general corporate purposes	10.0	79.0	9.1	71.9	–	–	
Funds proposed to be used for the Neusoft Yuetong Acquisition	–	–	9.0	71.0	–	–	
Total	100.0	790.4	100.0	790.4	57.5	208.7	

Notes:

- (1) The expected timeline for utilizing the unutilized funds is based on the best estimation of the future market condition made by the Group. It may be subject to change based on the current and future development of market conditions.
- (2) Any discrepancy arising in the decimal figures in the table above is due to the effect of rounded figures.

USE OF PROCEEDS FROM THE 2024 PLACING

On 7 May 2024 (after trading hours), the Company entered into the placing agreement with the placing agent, pursuant to which the Company has agreed to place through the placing agent a maximum of 157,302,880 ordinary share(s) of par value of US\$0.000001 each of the Company at the placing price of HK\$0.28 per placing share (the “**2024 Placing**”) to not less than six placees who and whose beneficial owners shall be independent third parties. On 7 May 2024, the closing price of the shares of the Company was HK\$0.34 per share. On 14 May 2024, the Company completed the placement of 157,302,880 shares. The total proceeds and the net proceeds from the 2024 Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$44.04 million and HK\$43.60 million, respectively, and the net price per Share was approximately HK\$0.277. The net proceeds from the 2024 Placing will be applied to replenish general working capital of the Group.

Use of the net proceeds from the 2024 Placing during the Reporting Period is set out in the table below:

	The net proceeds from the 2024 Placing	Utilized amount during the Reporting Period	Unutilized amount as at the end of the Reporting Period	Expected timeline for the use of unutilized proceeds
Replenish general working capital of the Group	HK\$43.60 million	HK\$10.54 million	HK\$33.06 million	By December 2027

Note:

- (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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The roles of the Chairman and the Chief Executive Officer are held by Mr. Zhai Shuchun (“**Mr. Zhai**”). With extensive experience in the information technology industry, Mr. Zhai is responsible for the overall strategic planning and general management of the Group and is instrumental to our growth and business expansion. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group and ensures consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In light of the above, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in the circumstances of the Company.

The Company has adopted all the applicable principles and code provisions set out in the CG Code as the basis of the Group’s corporate governance practices. Save as disclosed in this announcement, the Group has complied with the CG Code throughout the six months ended 30 June 2024. The Company will periodically review on its corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code effective from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company’s listed securities (including sale of treasury shares) during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the “**Audit Committee**”) was established with written term of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Mr. You Linfeng (the chairman of the Audit Committee), Mr. Tang Baoqi and Ms. Yang Juan.

The financial information for the six months ended 30 June 2024 set out in the interim report is unaudited but has been reviewed by the Company's external auditor, Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," and by the Audit Committee. The Audit Committee has reviewed the interim results and was satisfied that the Company's unaudited financial information contained in this announcement was prepared in accordance with applicable accounting standards.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group, and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with management and the Company's external auditor. The Audit Committee is of the view that the interim financial results for the six months ended 30 June 2024 have complied with relevant accounting standards, rules and regulations, and have been officially and properly disclosed.

INTERIM DIVIDENDS

The Board has resolved not to declare the payment of interim dividends for the six months ended 30 June 2024 to the shareholders.

SUBSEQUENT EVENTS

No significant event of the Group has occurred subsequent to 30 June 2024 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.newlinktech.com.cn). The interim report of the Company for the six months ended 30 June 2024 will be published on the aforesaid websites in due course.

APPRECIATION

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

By order of the Board
Newlink Technology Inc.
ZHAI Shuchun

Chairman of the Board and Chief Executive Officer

Beijing, the PRC, 29 August 2024

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

** For identification purposes only*