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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)

**(1) DISCLOSEABLE TRANSACTION: ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY AND CAPITAL INCREASE; AND
(2) CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING**

DISCLOSEABLE TRANSACTION: ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY AND CAPITAL INCREASE

The Board hereby announces that on 20 June 2022, Newlink Technology, a wholly-owned subsidiary of the Company, the Sellers and the Target Company entered into the Equity Transfer and Capital Increase Agreement, pursuant to which Newlink Technology has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, 100% equity interest in the Target Company, and Newlink Technology has conditionally agreed to make a capital increase to the Target Company, and in this regard, Newlink Technology agreed: (1) to pay the Sellers the Equity Transfer Consideration of RMB80,000,000 in total (subject to the performance compensation arrangement stated below); (2) to succeed the capital contribution obligations of RMB7,430,769 for the Unpaid Registered Capital in the equity interest transferred by Dai Linlin, being one of the Sellers; and (3) to make a capital increase of RMB18,000,000 to the Target Company.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction contemplated under the Equity Transfer and Capital Increase Agreement are more than 5% but less than 25%, the transaction contemplated under the Equity Transfer and Capital Increase Agreement constitutes discloseable transaction of the Company, and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus. Having considered the reasons for and benefits of entering into the Equity Transfer and Capital Increase Agreement as set out in the section headed “Reasons for and Benefits of Entering into the Equity Transfer and Capital Increase Agreement” in this announcement, in order to better utilize the financial resources of the Group and to capture favorable investment opportunities, the Board has reviewed the utilization of the net proceeds and resolved to reallocate not more than HK\$71 million of the surplus to pay the consideration for this Transaction.

I. DISCLOSEABLE TRANSACTION: ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY AND CAPITAL INCREASE

INTRODUCTION

The Board hereby announces that on 20 June 2022, Newlink Technology, a wholly-owned subsidiary of the Company, the Sellers and the Target Company entered into the Equity Transfer and Capital Increase Agreement, pursuant to which Newlink Technology has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, 100% equity interest in the Target Company, and Newlink Technology has conditionally agreed to make a capital increase to the Target Company, and in this regard, Newlink Technology agreed: (1) to pay the Sellers the Equity Transfer Consideration of RMB80,000,000 in total (subject to the performance compensation arrangement stated below); (2) to succeed the capital contribution obligations of RMB7,430,769 for the Unpaid Registered Capital in the equity interest transferred by Dai Linlin, being one of the Sellers; and (3) to make a capital increase of RMB18,000,000 to the Target Company.

EQUITY TRANSFER AND CAPITAL INCREASE AGREEMENT

Date

20 June 2022

Parties

- (1) Newlink Technology (as the purchaser);
- (2) the Target Company; and
- (3) the Sellers

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Target Company, the Sellers and their ultimate beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

Subject Matter and Consideration

- (1) The first equity transfer: Newlink Technology will purchase 67.5% of the total registered capital of the Target Company held by the Sellers in aggregate, and in this regard, Newlink Technology agreed to pay the Sellers RMB48,484,849 in total as the consideration (the “**First Instalment of the Equity Transfer Consideration**”) and succeed the capital contribution obligations of RMB7,430,769 (the “**Investment Monies**”) for the unpaid registered capital of RMB6,192,307 (the “**Unpaid Registered Capital**”) in the equity interest transferred by Dai Linlin, being one of the Sellers. Upon completion of the first equity transfer, Newlink Technology will hold 67.5% equity interest in the Target Company.
- (2) Capital increase: Newlink Technology agreed to subscribe for the Target Company’s increased registered capital of RMB6,568,269 with the capital increase monies of RMB18,000,000 (“**Capital Increase Monies**”), of which RMB6,568,269 will be the Target Company’s increased registered capital with the remaining to be credited to the Target Company’s capital reserve as premium. Upon completion of the capital increase, the equity interest in the Target Company held by Newlink Technology will increase to 72.5883%.
- (3) The second equity transfer: Newlink Technology agreed to purchase the equity interest of 27.4117% of the total registered capital of the Target Company before the third closing held by the Remaining Sellers in aggregate at a maximum consideration of RMB31,515,151 (the “**Second Instalment of the Equity Transfer Consideration**”, together with the First Instalment of the Equity Transfer Consideration, the “**Equity Transfer Consideration**”) subject to the deduction of the performance compensation amount (if applicable). Upon completion of the second equity transfer, Newlink Technology will hold 100% equity interest in the Target Company.

The total Equity Transfer Consideration of RMB80,000,000 for the Target Company was determined after arm’s length negotiation between the parties with reference to the valuation of the entire shareholders’ equity of the Target Company of RMB93,000,000 as at 31 December 2021 by the Independent Appraiser based on the market approach. The Capital Increase Monies of RMB18,000,000 to the Target Company was determined with reference to the unit transfer price of the paid-up registered capital of RMB2.7404 calculated based on the Equity Transfer Consideration of RMB80,000,000 and the paid-up registered capital of RMB29,192,308 of the Target Company immediately before the capital increase, as well as the percentage of equity interest to be subscribed for. The Investment Monies of RMB7,430,769 for the Unpaid Registered Capital was determined based on the previous agreement between the Target Company and Dai Linlin, one of the Sellers of the said equity interest, in respect of the investment amount for the Unpaid Registered Capital.

Payment Arrangements

The Equity Transfer Consideration, Capital Increase Monies and Investment Monies will be paid in three instalments. The specific consideration and payment arrangements for each instalment are as follows:

Consideration	Payment Arrangements
1. First Instalment of the Equity Transfer Consideration	<ol style="list-style-type: none">(1) Within five working days from the date when the conditions for the first closing are fully satisfied or waived by Newlink Technology, Newlink Technology shall pay 50% of the corresponding First Instalment of the Equity Transfer Consideration payable to Neusoft Venture Capital. On the payment date of the above consideration, the Target Company shall deliver to Newlink Technology a copy of the share register and the original of the capital contribution certificate which have been updated to reflect that Newlink Technology holds the registered capital of the Target Company corresponding to the above paid consideration;(2) Within 10 days upon completion of the change of registration and the filing procedures involved in the first closing, registration of Newlink Technology as a shareholder holding 67.5% equity interest in the Target Company, registration of the three directors assigned by Newlink Technology as directors of the Target Company with the competent market regulatory authorities in accordance with the law by the Target Company, and having provided Newlink Technology a scanned copy of the Target Company's business permit renewed by the competent market regulatory authorities and the industrial and commercial filing materials indicating that Newlink Technology has become a shareholder holding 67.5% equity interest in the Target Company, Newlink Technology shall pay the remaining First Instalment of the Equity Transfer Consideration payable to Neusoft Venture Capital and shall pay the respective First Instalment of the Equity Transfer Consideration payable to each of the other Sellers after deducting the personal income tax corresponding to each natural person Seller.

Consideration **Payment Arrangements**

2. Capital Increase Monies and Investment Monies
- Upon the satisfaction of conditions for the second closing, completion of the change of registration and the filing procedures involved in the second closing, registration of Newlink Technology as a shareholder holding 72.5883% equity interest in the Target Company with the competent market regulatory authorities in accordance with the law by the Target Company, having provided Newlink Technology a scanned copy of the Target Company's business permit renewed by the competent market regulatory authorities and the industrial and commercial file transfer materials indicating that Newlink Technology has become a shareholder holding 72.5883% equity interest in the Target Company, and the Target Company having completed relevant matters such as basic information registration for reception of domestic reinvestment and the opening of a foreign exchange capital account and an account for foreign currency settlement pending payment, within 30 days from the date the Target Company provides Newlink Technology with the industrial and commercial filing transfer materials in relation to the capital increase, Newlink Technology shall pay the Capital Increase Monies and the Investment Monies to the Target Company in a lump sum. In the event that the Target Company fails to complete basic information registration for reception of domestic reinvestment and the opening of a foreign exchange capital account and an account for foreign currency settlement pending payment within 30 days from the date Newlink Technology is provided with the industrial and commercial filing materials in relation to the capital increase, the time for Newlink Technology to pay the Target Company the Capital Increase Monies involved in the second closing and complete the payment of capital contribution shall be postponed accordingly.
3. Second Instalment of the Equity Transfer Consideration
- (1) Within six months from the date of expiry of the Performance Guarantee Period and on the day the application submitted by the Target Company to the competent market regulatory authorities for the change of registration regarding the 100% equity interest in the Target Company held by Newlink Technology is accepted for handling, Newlink Technology shall pay to Neusoft Venture Capital its corresponding Second Instalment of the Equity Transfer Consideration after deducting the performance compensation amount (if applicable). On the payment date of the above consideration, the Target Company shall deliver to Newlink Technology a copy of the share register and the original of the capital contribution certificate which have been updated to reflect that Newlink Technology holds the registered capital of the Target Company corresponding to the above paid consideration;
- (2) Within ten days upon completion of the change of registration and the filing procedures involved in the third closing, registration of Newlink Technology as a shareholder holding 100% equity interest in the Target Company with the competent market regulatory authorities in accordance with the law by the Target Company, having provided Newlink Technology a scanned copy of the Target Company's business permit renewed by the competent market regulatory authorities and the industrial and commercial filing materials indicating that Newlink Technology has become a shareholder holding 100% equity interest in the Target Company, Newlink Technology shall pay to the Remaining Sellers, except Neusoft Venture Capital, their respective corresponding Second Instalment of the Equity Transfer Consideration after deducting the personal income tax corresponding to each natural person Seller and deducting the performance compensation amount (if applicable).

The Company will pay the Equity Transfer Consideration, the Capital Increase Monies and Investment Monies with net proceeds from the IPO, its own funds, and bank loans. The Company is applying to the bank for a M&A loan for the payment of the Equity Transfer Consideration and Capital Increase Monies. If the loan is approved, the Company will give priority to using the M&A loan instead of its own funds for the payment of the unpaid Equity Transfer Consideration and Capital Increase Monies.

Closing

The first closing The Target Company has completed the change of registration with the competent market regulatory authorities regarding the purchase by Newlink Technology of the 67.5% equity interest in the Target Company held by the Sellers in aggregate, and Newlink Technology has paid the First Instalment of the Equity Transfer Consideration to the Sellers.

The second closing The Target Company has completed the change of registration with the competent market regulatory authorities regarding the performance of the paid-up capital contribution obligations succeeded by Newlink Technology and its capital increase to the Target Company, and Newlink Technology has paid the Investment Monies and Capital Increase Monies to the Target Company.

The third closing The Target Company has completed the change of registration with the competent market regulatory authorities regarding the purchase by Newlink Technology of all the remaining equity interest in the Target Company held by the Remaining Sellers to become a shareholder holding 100% equity interest in the Target Company, and Newlink Technology has paid the Second Instalment of the Equity Transfer Consideration payable to the Remaining Sellers.

Conditions Precedent for Closing

Conditions for the first closing (1) Newlink Technology is satisfied with the results of the due diligence conducted by it on the business, financial, legal, technical and management aspects of the Target Company (including rectification carried out based on the results of the due diligence);

(2) the board of directors and shareholders' meeting of the Target Company have passed resolutions to approve the following: (i) the entering into the Transaction and the execution of the Equity Transfer and Capital Increase Agreement and other transaction documents, (ii) the establishment of the board of directors as agreed in the Equity Transfer and Capital Increase Agreement with the election of three (3) candidates designated by Newlink Technology as directors of the Target Company, and (iii) the adoption of the amended articles of association;

(3) the Target Company has obtained all the qualifications and relevant intellectual property rights required to carry out its existing business (unless otherwise agreed by both parties in the Equity Transfer and Capital Increase Agreement);

(4) the Target Company has obtained the written consent of the Beijing Xuanwu Sub-branch of Bank of China Limited for the Transaction;

- (5) the Target Company has completed the internal equity restructuring arrangement, and the Sellers in the Equity Transfer and Capital Increase Agreement have been registered as shareholders of the Target Company by the market supervisory and administration authority;
- (6) the accounting firm with securities industry qualifications (the “**Qualified Accounting Firm**”) designated by Newlink Technology has completed the audit of the Target Company and issued an unqualified audit report, and the audited consolidated net assets of the Target Company at the end of 2021 are more than RMB35 million;
- (7) the appraiser engaged by Newlink Technology has completed the appraisal or valuation of the Target Company, and the valuation of the Target Company set out in the appraisal report is not less than RMB80 million;
- (8) the Remaining Sellers except Neusoft Venture Capital, senior management, and core employees confirmed by Newlink Technology have signed labour contracts and confidentiality, intellectual property rights and non-compete agreements with the Target Company, the format and contents of which are to the satisfaction of Newlink Technology and, in particular, the term of the labour contract shall not be less than five (5) years, the term of non-compete shall not be less than the term of the labour contract and two (2) years after resignation, and the above personnel have provided Newlink Technology with the certificate of no criminal conviction issued by the public security authorities and the respective lists of connected parties of applicable persons under the Listing Rules;
- (9) Newlink Technology has received a confirmation letter signed by the Target Company and the Remaining Sellers confirming that the conditions precedent for the first closing have been satisfied and there is no material adverse change in the Target Company;
- (10) the Remaining Sellers have ceased their existing business that is the same or similar to that carried out by the Target Company; and
- (11) other customary conditions precedent for such transactions.

Conditions for the second closing

- (1) the conditions for the first closing have been fully satisfied or waived in writing by Newlink Technology;
- (2) the Target Company has completed the registration of change and filing procedures with the competent market regulatory authorities in accordance with the law regarding the registration of Newlink Technology as a shareholder in respect of the increased registered capital involved in the second closing, and has provided Newlink Technology with a scanned copy of the Target Company’s business permit renewed by the competent market regulatory authorities;

- (3) the Target Company has returned in full the earnest money previously paid by Newlink Technology to the Target Company, i.e. RMB8 million; and
- (4) Newlink Technology has received a confirmation letter signed by the Target Company and the Remaining Sellers confirming that the conditions precedent for the second closing have been satisfied and there is no material adverse change in the Target Company.

Conditions for the third closing

- (1) the Target Company has completed the registration of change and filing procedures with the competent market regulatory authorities in accordance with the law (regarding the registration of Newlink Technology as a shareholder holding 100% equity interest in the Target Company, and the replacement of the directors of the Target Company appointed by the Remaining Sellers with those designated by Newlink Technology) involved in the third closing, and has provided Newlink Technology with a scanned copy of the Target Company's business permit renewed by the competent market regulatory authorities;
- (2) Newlink Technology has received a confirmation letter signed by the Target Company and the Remaining Sellers confirming that the conditions precedent for the third closing have been satisfied and there is no material adverse change in the Target Company; and
- (3) other customary conditions precedent for such transactions.

Performance Guarantee

The Performance Guarantee Sellers undertake to Newlink Technology that the Target Company's revenue from principal business and net profit for financial years of 2022, 2023 and 2024 (collectively, the "**Performance Guarantee Period**", each a "**Performance Guarantee Year**") shall not be less than the targets set out in the table below:

	<i>(Unit: RMB0'000)</i>			
Financial Year	2022	2023	2024	Total
Guaranteed revenue from principal business	6,000	7,200	8,640	21,840
Guaranteed net profit	300	450	675	1,425

The actual net profit of the Target Company shall be the lower of the net profit after tax attributable to shareholders of the parent company before or after deduction of non-recurring gains and losses in the consolidated statements of the Target Group audited and confirmed by the Qualified Accounting Firm.

The Performance Guarantee Sellers will be deemed to have completed the performance guarantee if (1) the actual net profit of the Target Company in each Performance Guarantee Year reaches or exceeds the guaranteed net profit for the year; or (2) the actual net profit of the Target Company in a certain Performance Guarantee Year is lower than the guaranteed net profit for the year, but (i) the actual revenue from the principal business for the year reaches or exceeds the guaranteed revenue from the principal business for the year, (ii) the actual net profit for the year is greater than 0, and (iii) the total actual net profit during the Performance Guarantee Period reaches or exceeds the total guaranteed net profit for the Performance Guarantee Period.

Where the Target Company fails to satisfy any of the requirements set out in item (1) or (2) in the preceding paragraph, the Performance Guarantee Sellers will be deemed to have failed to complete the guaranteed performance. In this case, upon expiry of the Performance Guarantee Period, the parties will calculate the performance compensation amount pursuant to the calculation formula therefor, and each Performance Guarantee Seller shall make compensation to Newlink Technology.

Calculation Formula for Performance Compensation Amount

Performance compensation amount = (Total guaranteed net profit for the Performance Guarantee Period – Total actual net profit for the Performance Guarantee Period) ÷ Total guaranteed net profit for the Performance Guarantee Period × (Equity Transfer Consideration of RMB80 million – Audited net assets of the Target Company at the end of the Performance Guarantee Period)

If the performance compensation amount is less than 0 upon calculation, no performance compensation will be required. If the audited net assets of the Target Company at the end of the Performance Guarantee Period are greater than RMB80 million and the total actual net profit for the Performance Guarantee Period is greater than the total guaranteed net profit for the Performance Guarantee Period, no performance compensation will be required.

Payment of Performance Compensation Amount

Newlink Technology and the Target Company will calculate the performance compensation amount (if any) payable by each Performance Guarantee Seller according to the performance compensation formula within 30 days after obtaining the Target Company's audited statements for 2024 issued by the Qualified Accounting Firm designated by Newlink Technology, and notify each Performance Guarantee Seller in writing. If performance compensation is required, all Performance Guarantee Sellers shall jointly bear the performance compensation amount in accordance with the relative proportion of the Target Company's registered capital subscribed for by each Performance Guarantee Seller to the Target Company's registered capital subscribed by all Performance Guarantee Sellers as at the signing date of the Equity Transfer and Capital Increase Agreement. Neusoft Venture Capital's liabilities are independent of that of other Performance Guarantee Sellers. Neusoft Venture Capital only assumes the performance guarantee compensation liabilities under the Equity Transfer and Capital Increase Agreement pursuant to its relative proportion, and will not be required to assume any guarantee or joint liabilities for the performance guarantee compensation liabilities of other Performance Guarantee Sellers. All Performance Guarantee Sellers other than Neusoft Venture Capital shall assume joint and several liabilities among themselves.

At the payment of the Second Instalment of the Equity Transfer Consideration, Newlink Technology is entitled to firstly deduct and offset the performance compensation amount payable by each Performance Guarantee Seller directly from the Second Instalment of the Equity Transfer Consideration. If the Second Instalment of the Equity Transfer Consideration paid to each Performance Guarantee Seller is insufficient to offset the performance compensation amount payable by each Performance Guarantee Seller under the Equity Transfer and Capital Increase Agreement, each Performance Guarantee Seller shall, within 8 months after the expiry of the Performance Commitment Period, pay the remaining performance compensation amount after deducting the Second Instalment of the Equity Transfer Consideration to Newlink Technology in accordance with the respective relative proportion of the Target Company's registered capital subscribed by each Performance Guarantee Seller to the Target Company's registered capital subscribed by all Performance Guarantee Sellers as at the signing date of the Equity Transfer and Capital Increase Agreement. If any Performance Guarantee Seller fails to pay the outstanding performance compensation amount due within the aforementioned agreed time, it shall pay Newlink Technology the default interest on the unpaid part of the performance compensation amount at an annual interest rate of 4.5% (simple interest), until the date when the above-mentioned unpaid part of the performance compensation amount is fully paid to Newlink Technology.

For the avoidance of doubt, the performance guarantee made by the Performance Guarantee Sellers does not represent the expected level of future profits of the Target Company and does not constitute a profit forecast under Rule 14.61 of the Listing Rules.

Other Terms

In the event of the overdue payment for the Capital Increase Monies or the Equity Transfer Consideration, Newlink Technology shall pay to the Target Company or the corresponding Sellers concerned liquidated damages equal to 1‰ of the arrears payable for each day of overdue payment. If Newlink Technology fails to pay the Capital Increase Monies and the Investment Monies as agreed while the Target Company has completed the registration of industrial and commercial change for the second closing and all the conditions for the second closing are satisfied, Newlink Technology shall register and file the change of shareholder with the competent market regulatory authorities so that the industrial and commercial registration information such as shareholder and shareholding structure of the Target Company can be restored to the status before the registration of the industrial and commercial change of the second closing within sixty (60) days from the expiry of the payment period of Newlink Technology, and the relevant terms concerning the second closing and subsequent matters in the Equity Transfer and Capital Increase Agreement (including but not limited to performance compensation and the third closing) shall automatically lapse.

During the period from the signing date of the Equity Transfer and Capital Increase Agreement to the third closing date, the Target Company and the Sellers shall ensure that the Target Company will, operate normally without changing its principal business.

From the date when the conditions for the first closing are satisfied, the Target Company will, under the premise of lawful operation, operate independently. If the Remaining Sellers except Neusoft Venture Capital continue to serve in the Target Company, they shall form the management team of the Target Company and shall be responsible for formulating development strategies and making specific business decisions pursuant to the articles of association and the resolutions of the shareholders' meeting and the board of directors of the Target Company. Newlink Technology shall assist in such arrangement. However, major issues of the Target Company must be submitted to the board of directors or shareholders' meeting of the Target Company for consideration pursuant to the articles of association of the Target Company, the Equity Transfer and Capital Increase Agreement and the Company Law of the PRC.

From the first closing date to the third closing date, the board of directors of the Target Company must be composed of five (5) directors. The Remaining Sellers are entitled to jointly nominate two (2) directors, and Newlink Technology is entitled to nominate three (3) directors, subject to the election and appointment by the shareholders' meeting of the Target Company. Each shareholder is obliged to vote in favour of the proposed directors nominated in accordance with the above agreement at the shareholders' meeting for the election of directors.

The Remaining Sellers except Neusoft Venture Capital undertake that they will not, directly or indirectly, in their own name or through others, engage or invest in business within a scope that is the same as, similar to, or in competition with that of, or business that is the same as, similar to, or in competition with that actually carried out by, the Target Group (the "**Target Group Business**"), or serve in any enterprises whose business competes with Target Group Business or engage in other cooperation with such competing enterprises (including but not limited to joint venture, provision of consultancy services and funds, or solicitation of customers, agents, suppliers or employees of the group companies for such other enterprises) in any form during the period when they hold equity interest in the Target Company and within two (2) years since they cease to be its shareholders, as well as during the period when they are employed by the Target Company and within two (2) years since they resign, unless such acts are for the benefit of the Target Group and with the prior written consent of Newlink Technology.

Enterprises invested and held but not controlled by Neusoft Venture Capital as an investor holding an equity interest not exceeding 20% of the total share capital of such enterprises can engage in business that is the same as, similar to or in competition with that of the Target Company. Neusoft Venture Capital shall issue a letter of commitment to the satisfaction of Newlink Technology, undertaking that (1) enterprises jointly controlled or owned as to 20% or above by Neusoft Venture Capital or its direct or indirect subsidiaries on the signing date of the Equity Transfer and Capital Increase Agreement are not currently engaged in SaaS services, IT value-added services or tailored technical services in transportation or finance industry. In the event that enterprises jointly controlled or owned as to 20% or above by Neusoft Venture Capital or its direct or indirect subsidiaries on the signing date of the Equity Transfer and Capital Increase Agreement intend to offer such services to customers in the above industries before 31 December 2024, Neusoft Venture Capital and its controlling entities shall vote against the resolution at the shareholders' meeting and board meeting of such enterprises for considering the above matters. Should the enterprises offer such services despite the dissenting votes, Neusoft Venture Capital and its controlling entities shall reduce their joint shareholding in the enterprises to less than 20% within 60 days after such enterprises offer such services. Neusoft Venture Capital shall be liable for the losses of the Target Company caused by the enterprises engaged in the above services within the 60-day period; and (2) if before 31 December 2024, Neusoft Venture Capital or its controlling entities intend to newly invest in enterprises which are engaged in business that is the same as or similar to that of the Target Group and which are not invested on the signing date of the Equity Transfer and Capital Increase Agreement, the shareholding ratios must not exceed 20%.

Effective date

The Equity Transfer and Capital Increase Agreement concludes on the date of signing by all parties and comes into effect from the date when the Board approves the execution of the agreement and makes announcement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 23 July 2009 and a service provider offering IT solutions to customers in finance and other industries. It is primarily engaged in offering SaaS platform services to financial institutions, and IT value-added services and tailored technical services to customers in transportation, logistics and other industries. As at the date of this announcement, the registered capital of the Target Company is RMB35,384,615. Other than the Unpaid Registered Capital, all the remaining registered capital has been paid up.

Set out below is the shareholding structure of the Target Company as at the date of this announcement and immediately after the completion of each closing:

Shareholder	As at the date of this announcement (%)	Immediately after the completion of the first closing (%)	Immediately after the completion of the second closing (%)	Immediately after the completion of the third closing (%)
Dai Linlin	35.0000%	–	–	–
Neusoft Venture Capital	35.0000%	17.5000%	14.7601%	–
Tian Weihai	28.1196%	14.0598%	11.8585%	–
Liu Cui	1.2717%	0.6539%	0.5363%	–
Dong Jing	0.3043%	0.1522%	0.1283%	–
Li Zhanguang	0.1522%	0.0761%	0.0642%	–
Yuan Lei	0.1522%	0.0761%	0.0642%	–
Newlink Technology	–	67.5000%	72.5883%	100%
Total	100%	100%	100%	100%

According to the audited financial statements prepared by the Target Company under the China Accounting Standards for Business Enterprises, the audited consolidated total assets and consolidated net assets of the Target Company as at 31 December 2021 were RMB52,493,872 and RMB36,379,583 respectively. The table below sets forth the audited consolidated financial information prepared by the Target Company under the China Accounting Standards for Business Enterprises for the two years ended 31 December 2021:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
Net profit before tax	3,100,042	2,050,257
Net profit after tax	3,100,042	2,050,257

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AND CAPITAL INCREASE AGREEMENT

The Target Company is a service provider offering IT solutions to customers in finance and other industries. It is primarily engaged in offering SaaS platform services to financial institutions, and IT value-added services and tailored technical services to customers in transportation, logistics and other industries. The Transaction can fully integrate the respective advantageous resources of the Target Group and the Group to achieve synergy and further enhance the Group's strength in SaaS services, diversify the industries and customer base served, improve technical R&D capabilities, and intensify the promotion of new-type generic RPA products in broader industries, which is in line with the Company's strategic planning and development direction.

As such, the Directors (including the independent non-executive Directors) are of the view that the Equity Transfer and Capital Increase Agreement was entered into on normal commercial terms, and although the transaction contemplated thereunder is not in the ordinary and usual course of business of the Company, the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES TO THE TRANSACTION

Newlink Technology and the Group

Newlink Technology is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is primarily engaged in investment holding. The Group is primarily engaged in providing IT solutions, especially technology-driven IT solutions based on self-developed software products.

Sellers

Neusoft Venture Capital is a company established under the laws of the PRC with limited liability. It is primarily engaged in investment, investment management and services for small and medium-sized enterprises mainly involved in information technology business. As at the date of this announcement, (1) Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司) (“**Neusoft Holdings**”) and Neusoft Corporation* (東軟集團股份有限公司) (“**Neusoft Corporation**”) hold 51.0124% and 48.9876% equity interest in Neusoft Venture Capital respectively, (2) Neusoft Corporation is listed on Shanghai Stock Exchange with stock code 600718, and Neusoft Holdings is the largest shareholder of Neusoft Corporation with a shareholding of 14.0128%, (3) the ultimate controlling shareholder of Neusoft Holdings is Dr. Liu Jiren.

Other than Neusoft Venture Capital, all of the other Sellers, i.e. Dai Linlin, Tian Weihai, Li Zhanguang, Yuan Lei, Dong Jing and Liu Cui, are citizens of the PRC.

Target Company

For information on the Target Company, please refer to the section headed Information on the Target Company above.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction contemplated under the Equity Transfer and Capital Increase Agreement are more than 5% but less than 25%, the transaction contemplated under the Equity Transfer and Capital Increase Agreement constitutes discloseable transaction of the Company, and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

II. CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus. The Company originally estimated the IPO proceeds would be approximately HK\$650.1 million. The Company actually raised an aggregate IPO proceeds of HK\$790.4 million, with a surplus of HK\$140.3 million. As of 31 December 2021, the unused IPO proceeds amounted to approximately HK\$631.3 million.

Having considered the reasons for and benefits of entering into the Equity Transfer and Capital Increase Agreement as set out in the section headed “Reasons for and Benefits of Entering into the Equity Transfer and Capital Increase Agreement” above, in order to better utilize the financial resources of the Group and to capture favorable investment opportunities, the Board has reviewed the utilization of the net proceeds and resolved to reallocate not more than HK\$71 million of the surplus (the “**Reallocated Surplus**”) to pay the Equity Transfer Consideration, Capital Increase Monies and Investment Monies for this Transaction. As disclosed above, if the bank loan applied for in connection with the Transaction is approved, such bank loan will be used to pay the Equity Transfer Consideration and Capital Increase Monies, specifically, the bank loan will first be used to replace the Company's own funds to pay the outstanding Equity Transfer Consideration and Capital Increase Monies and the remaining portion, if any, will be used to replace the Reallocated Surplus, and accordingly such portion of the proceeds will be restored to the original use. The Company will disclose in its annual reports/interim reports the actual amount of the bank loan and the proceeds, if any, that have been restored to their original use. The following table sets out the details of the IPO proceeds originally raised, unutilized IPO proceeds as of the dates indicated and the reallocated IPO proceeds:

Intended use of the IPO proceeds	Original allocation of the IPO proceeds (approximate)		Surplus to the proceeds originally expected to be raised as disclosed in the Prospectus (approximate)	Reallocated Surplus (approximate)	Unutilized IPO proceeds as at 31 December 2021 (“Unutilized IPO Proceeds”) (approximate)	Balance of the Unutilized IPO Proceeds after reallocation (approximate)
	HK\$ million	percentage	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Development of new solutions and upgrade of existing solutions within five years after listing	632.3	80.00%	112.3	56.8	551.9	495.1
Development and upgrade of our medical quality control and safety warning platform	158.1	20.00%	28.1	14.2	143	128.8
Development of our clinical pathway management system	158.1	20.00%	28.1	14.2	151.1	136.9
Development of our telemedicine system	79	10.00%	14	7.1	76.8	69.7
Development of new solution of intelligent healthcare platform	79	10.00%	14	7.1	62.1	55
Upgrade of our RPA solution	158.1	20.00%	28.1	14.2	118.8	104.6
Enhancing sales and marketing efforts	79	10.00%	14	7.1	65	57.9
Working capital and other general corporate purposes	79	10.00%	14	7.1	14.5	7.4
Sub-total	790.4	100%	140.3	71	631.3	560.3
Funds proposed to be used for this Transaction	-	-	-	-	-	71
Total	790.4	100%	140.3	71	631.3	631.3

Note: Any discrepancy arising in the decimal figures in the table above is due to the effect of rounded figures.

The Board is of the view that the reallocation of the surplus of the IPO proceeds will not materially affect the original use as disclosed in the Prospectus, because the IPO proceeds in relation to the change of use are part of the surplus raised, and will not affect the implementation of the original plan for the use of proceeds set out in the Prospectus. For the avoidance of doubt, if this Transaction is not materialized, the use of the IPO proceeds is expected to remain the same.

For the reasons for and benefits of entering into the Equity Transfer and Capital Increase Agreement above, the Board is of the view that the reallocation of the surplus of the IPO proceeds as set out above is in line with the business strategies of the Group and the revised allocation of the IPO proceeds will enhance the efficiency of utilizing the IPO proceeds. The Board believes that such change of use of the surplus of the IPO proceeds is fair and reasonable and will not have any material adverse effect on the Group's existing businesses, operations and the on-schedule progress of projects originally planned to be funded by the proceeds, and is in the best interests of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors of the Company
“Company”	Newlink Technology Inc. (新紐科技有限公司*), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Equity Transfer and Capital Increase Agreement”	the equity transfer and capital increase agreement entered into between Newlink Technology, the Sellers and the Target Company on 20 June 2022, pursuant to which 100% equity interest in the Target Company will be transferred to Newlink Technology on a step-by-step basis and Newlink Technology will make a capital increase to the Target Company
“Global Offering”	the Hong Kong public offering and the international offering of Shares in connection with the IPO
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Appraiser”	Asia-Pacific Consulting and Appraisal Limited
“IPO”	the Company’s initial public offering of its Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neusoft Venture Capital”	Liaoning Neusoft Venture Capital Co., Ltd.* (遼寧東軟創業投資有限公司), a company established under the laws of the PRC with limited liability
“Newlink Technology”	Newlink Technology (Beijing) Co., Ltd.* (紐領科技(北京)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 21 December 2020 in relation to the Global Offering
“Remaining Sellers” or “Performance Guarantee Sellers”	Neusoft Venture Capital, Tian Weihai (田維海), Li Zhanguang (李佔廣), Yuan Lei (袁磊), Dong Jing (董靜) and Liu Cui (劉萃)
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Dai Linlin (代琳琳), Neusoft Venture Capital, Tian Weihai (田維海), Li Zhanguang (李佔廣), Yuan Lei (袁磊), Dong Jing (董靜) and Liu Cui (劉萃)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of US\$0.000001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Neusoft Yuetong”	Beijing Neusoft Yuetong Software Technology Co., Ltd.* (北京東軟越通軟件技術有限公司), a company established under the laws of the PRC with limited liability on 23 July 2009

“Target Group”	the Target Company and its subsidiaries. As at the date of this announcement, the Target Company owns a wholly-owned subsidiary, Neusoft Yuetong Software Technology (Dalian) Co., Ltd.* (東軟越通軟件技術(大連)有限公司)
“Transaction”	the transaction contemplated under the Equity Transfer and Capital Increase Agreement
“%”	percentage

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

Beijing, the PRC, 20 June 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.

* *For identification purposes only*