



9 April 2020

Netlinkz acquires AoFa Engineering (Shanghai) Co. Ltd

NetLinkz Limited (ASX: NET) ('NetLinkz' or 'Company') is pleased to announce that it has completed the acquisition of AOFA Software Engineering Co. Ltd. (**AoFa**). AoFa is registered in Shanghai as a Wholly Foreign Owned Entity (**WFOE**). Chinese regulations require foreign entities to establish and register a WFOE to allow investment into China and for profits or dividends to be paid to the foreign owners outside of China.

NetLinkz's previous sales into China were conducted through a Hong Kong reseller and its China based agent JAST Limited (**JAST**). JAST was engaged in early 2018 to work with NetLinkz on its pilot program with China Telecom Wuxi, China. JAST is based in Wuxi and has undertaken sales and development of NetLinkz VIN product throughout China since 2018. Since March 2019, JAST has licensed NetLinkz's product for sales in China through AoFa – see NetLinkz's announcement released on 27 March 2019.

Following the announcement of the agreement with iSoftStone for iSoftStone to market and develop its products in China, NetLinkz has intended to move away from using the Hong Kong reseller for sales and distribution in China to sale and distributions in China being the responsibility of the joint venture with iSoftStone (**iLinkAll**) - see NetLinkz's announcements released on 11 July 2019, 5 December 2019, and 16 December 2019.

As a condition to the establishment of iLinkAll, iSoftStone required Netlinkz to establish and register a wholly owned foreign entity in order to facilitate the repatriation of revenue generated from iLinkAll to NetLinkz. The acquisition of AoFa was an efficient mechanism for NetLinkz to obtain ownership of a wholly owned foreign entity in China.

Netlinkz paid A\$2,587,000 (**Sale Price**) to acquire AoFa and its sales and distribution rights for China. There are no further payments or securities to be issued for the acquisition of AoFa. The negotiated price also repaid the Hong Kong reseller its expenses in developing the Company's products for the Chinese market as well as establishing sales and distribution channels in China since May 2018 through JAST Limited.

The purchase of AoFA, being a registered WFOE in China, will allow licence fees paid by JAST Limited and dividends from iLinkAll's business to be paid directly to Netlinkz Limited.

The transfer of the ownership of AoFa to NetLinkz will be registered with the Administration for Market Regulation Authority in Shanghai, China. There are no other further conditions of sale to be satisfied that would prevent NetLinkz being registered as the owner of AoFa. The registration process is expected to take 3 weeks.

The Sale Price was the subject of a qualified conclusion reached by the Company's auditors in its half year accounts for the half year ended 31 December 2020. Now that the transaction has completed, NetLinkz will remove the balance of A\$2,587,000 as a receivable and reflect it as a business combination in the financial statements. NetLinkz has no reason to believe it will not be able to obtain unqualified financial statements in the future.



The purchase of AoFa does not change NetLinkz's revenue forecasts for 2020 of \$15.3m. NetLinkz has already banked from sales of its products and SSI products in excess of AUD\$2m for Q1 2020.

*****ENDS*****

James Tsiolis, CEO and Chairman of Netlinkz, has approved the release of this document to the market.

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About NetLinkz Limited

NetLinkz provides secure and efficient cloud network solutions. The Company's technology makes Fortune-500 security commercially available for organisations of all sizes. NetLinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

www.netlinkz.com

About iLinkAll

Beijing iLinkAll Technology Co. Ltd is a joint venture between Netlinkz (80% ownership) and an entity nominated by iSoftStone Information and Technology (Group) Co. Limited (20% ownership). iLinkAll is approved by Chinese Government Authorities to sell its products in China and has a 24/7 China wide customer service centre in Shandong, China.