NEWLINK TECHNOLOGY INC.
新紐科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9600

2023
INTERIM REPORT

*For identification purpose only

CONTENTS

DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Audit Committee"	the audit committee of the Board
"Beijing Newlink"	Beijing Newlink Technology Co., Ltd. (北京新紐科技有限公司), a limited liability company established under the laws of the PRC on 15 August 2011 and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"CEO"	chief executive officer of the Company
"CG Code"	the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "Newlink Technology" or "We"	Newlink Technology Inc. (新紐科技有限公司*), an exempted company incorporated under the laws of Cayman Islands with limited liability on 8 November 2019
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhai and Nebula SC
"Director(s)"	the director(s) of the 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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the Company's initial public offering of its Shares
"Listing Date"	6 January 2021, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

* *For identification purposes only*

DEFINITIONS

"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules
"Mr. Zhai"	Mr. ZHAI Shuchun (翟曙春), the chairman of the Board, executive Director, CEO and one of the Controlling Shareholders
"Nebula SC"	Nebula SC Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 6 November 2019 and wholly-owned by Mr. Zhai
"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, a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 5 December 2020
"Prospectus"	the prospectus of the Company dated 21 December 2020
"Reporting Period"	the six months ended 30 June 2023
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"RPA" or "Robotic Process Automation"	the application of technology that allows IT engineers to configure computer software or a robot to capture and interpret existing applications and data for processing a transaction, manipulating data, triggering responses and communicating with other systems
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.000001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHAI Shuchun *(Chairman and CEO)*
Ms. QIN Yi
Mr. LI Xiaodong

Independent Non-executive Directors

Mr. TANG Baoqi
Mr. YE Jinfu
Ms. YANG Juan

JOINT COMPANY SECRETARIES

Ms. ZHANG Xiushi
Ms. HO Wing Nga *(HKFCG(PE), FCG)*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. ZHAI Shuchun
Ms. HO Wing Nga *(HKFCG(PE), FCG)*

AUDIT COMMITTEE

Mr. YE Jinfu *(Chairman)*
Mr. TANG Baoqi
Ms. YANG Juan

REMUNERATION COMMITTEE

Ms. YANG Juan *(Chairwoman)*
Mr. ZHAI Shuchun
Mr. TANG Baoqi

NOMINATION COMMITTEE

Mr. TANG Baoqi *(Chairman)*
Mr. ZHAI Shuchun
Ms. YANG Juan

HONG KONG LEGAL ADVISOR

DLA Piper Hong Kong
25th Floor, Three Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

AUDITOR

CCTH CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 1510-1517, 15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road, Kwai Chung
New Territories, Hong Kong

REGISTERED OFFICE

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Grand Cayman
KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Xueqing Road
Haidian District, Beijing
the PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China CITIC Bank
Beijing Guanhuguoji Sub-branch
1/F and 2/F
Building A-1, Yard 88
North East Fourth Ring Road
Chaoyang District, Beijing
the PRC

Huaxia Bank
Beijing Zhichun Sub-branch
Lixiang Building
No. 111 Zhichun Road
Haidian District, Beijing
the PRC

China Merchants Bank
Beijing Shangdi Sub-branch
South End of Xinxi Road, Shangdi, 1/F, Block B
Building 2, Guiguliangcheng, 1 Nongda Road
Haidian District, Beijing
the PRC

China Merchants Bank
Dalian Branch Xinghai Sub-branch
700 Zhongshan Road, Shahekou District
Dalian City, Liaoning Province
the PRC
(next to Exit A of Heishijiao Metro Station)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai
Hong Kong

STOCK CODE

Stock code: 9600

WEBSITE

www.xnewtech.com

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**117,953**	116,045
Gross profit	**25,064**	33,204
(Loss)/profit before tax	**(26,525)**	19,363
Income tax expense	**(482)**	(1,964)
(Loss)/profit for the period	**(27,007)**	17,399

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	**976,496**	991,204
Total liabilities	**141,051**	108,593
Total equity	**835,445**	882,611

MANAGEMENT DISCUSSION AND ANALYSIS

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 the application of 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, medical care, transportation and logistics as well as general industries.

The Group has always attached importance to the innovation of technologies and business models. While consolidating its advantages in traditional solution services, the Group has been actively developing innovative solution services. By providing Robotic Process Automation 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 to financial institutions, medical institutions, large sized state-owned and private enterprises, etc., the Group has enhanced the advantages of its products and services in specific industries such as finance, medical care and transportation.

Business Review

Due to the extensive outbreak of COVID-19 in China during the first quarter of 2023 and the compound effects of the cyclical and seasonal nature of our projects, the Group, while being in a slow business season, further encountered a delayed implementation of projects due to the prolonged reopening for business of our major customer group in the first half of 2023. As a result, the Group recorded a revenue of RMB118.0 million in the first half of 2023, roughly tying the record for the same period of 2022 with a modest increase of 1.7%. However, the revenue from the software development service business, which made up the bulk of the Group's total revenue, fell by 16.8% to RMB83.4 million compared to that of the same period of 2022. In addition, the service costs of the business increased substantially by 12.2% to RMB92.9 million compared to the same period of 2022 under the weight of prolonged project completion cycles and an increase in the amount of severance compensation compared to the same period of last year. In the first half of 2023, the gross profit of the Group's software development service business saw a big decline amid the global pandemic, which also directly led to a decline in the Group's overall gross profit. Apart from the software development services business, the Group achieved a year-on-year growth in revenues from the sales of both standard software and technical and maintenance services. In particular, the revenue from standard software sales amounted to RMB13.7 million, representing an increase of 136.2% over the same period of 2022. In the first half of 2023, losses attributable to the owners of the Company amounted to RMB26.8 million as compared to the profit attributable to owners of the Company of RMB17.4 million recorded for the same period of 2022. The decrease was mainly attributable to the decline in gross profit and the combined effect of factors, including the fact that Group did not record any fair value gains on equity investments at fair value through profit or loss, the additional selling and distribution expenses, administrative expenses and R&D expenses incurred by the newly acquired subsidiary, Neusoft Yuetong, and a significant increase in R&D expenses resulting from the increase in amortization amount of the Group's deferred development costs.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, the Group continued to invest in its R&D initiatives in order to build up its technical strength, with its subsidiaries actively involved in the activities organized by industry associations, aiming to boost the development of the industry. In the first half of 2023, our subsidiaries obtained three invention patents, namely "A Method for Classification of Electronic Medical Records (一種電子病歷的分類方法)", "A Method for Term Recognition (一種術語識別方法)" and "A Method for Segmentation of Electronic Medical Records (一種電子病歷的分段方法)", and 19 software copyrights, including "Bed Management Platform for Elderly Care V1.0 (家庭養老床位管理平台V1.0)", "Paperless Medical Record Management System V2.0 (病案無紙化管理系統V2.0)" and "Children's Aid Home Visit Management System V1.0 (兒童救助家訪管理系統V1.0)". In the first half of 2023, Beijing Newlink took an active part in the compilation of the group standard of the "Standards for Medical Quality Information Development (醫療質量信息化建設標準)" at the invitation of the National Association of Health Industry and Enterprise Management and the Branch of Hospital Quality Management and Information Development and was officially designated as the deputy chief editor of the "Standards for Medical Quality Information Development" (T/NAHIEM66-2022). Besides, the Company received the title of "Vice President Unit of the Branch of Hospital Quality Management and Information Technology Development (醫院質量管理與信息化建設分會副會長單位)" issued by the National Association of Health Industry and Enterprise Management.

The Group continued to expand the regional markets and make progressive implementation in the first half of 2023 as it furthered the construction of its regional operation center in Hong Kong with the aim of strategically extending its reach into Hong Kong and Southeast Asia following its acquisition of an office building in Chengdu aiming to establish a foothold in Southwest China and expand its R&D center there. Furthermore, the Group has been actively participating in industry competitions and the innovative products have won numerous awards. For instance, "NewLink RPA Robotics Process Automation Application Platform (NewLink RPA 機器人流程自動化應用平台)" was granted the Excellence Award at the Beijing – Hong Kong Science and Technology International Innovation Forum of Zhongguancun Forum 2023 and the Sixth "Beijing – Hong Kong Youth Innovation and Entrepreneur Cup" Beijing Selection Competition (2023中關村論壇京港科技國際創新論壇暨第六屆"京港青創杯"北京選拔賽優秀獎); the "Customer Value Growth Platform (客戶價值成長平台)" recently launched by the Group, received the "Digital Finance Innovation Pioneer Rankings of 2023 – Digital Marketing Silver Award (2023數字金融創新先鋒榜–數字營銷銀獎)" in the Sixth Digital Finance Innovation Competition 2023 (第六屆(2023)數字金融創新大賽); "NewLink RPA – Trust Project Submission Management Process Automation (NewLink RPA–信託項目報送管理流程自動化)" was honored with the "Third China RPA + AI Developer Competition – 2023 Process Value Award (第三屆中國RPA+AI開發者大賽–2023流程價值獎)" in the Third China RPA + AI Developer Competition (第三屆中國RPA+AI開發者大賽). In addition, the Company won the "2023 Digital Innovation Leadership Award (2023數字化創新引領獎)" in the 12th Finance Summit (第十二屆財經峰會), and Mr. Zhai, the Company's Executive Director, Chairman and the Chief Executive Officer, received the "2023 Entrepreneur of Excellence and Influence Award (2023卓越影響力企業家獎)".

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

As China's economy is regaining momentum following the ending of the COVID-19 lockdown, the demand for digital transformation from enterprises witnessed a sharp increase, which gives us opportunities to capitalize on the new development conditions. Looking ahead to the second half of 2023, we will take a firm hold of the opportunities brought by the digital and smart transformation of enterprises, by increasing our investment in R&D in order to promote the application of technological innovations such as artificial intelligence and big data analysis in various fields, upgrade and optimize the functions of our existing products and come up with more comprehensive solutions that cater exactly for the needs of our customers.

The Group will continue to explore the regional markets for new opportunities, aiming to attract more outstanding talents and build up its ability to withstand various kinds of risks. Meanwhile, the Group will further optimize its process, motivate the organization and accelerate the pace of coordinated development among its subsidiaries. By integrating its corporate governance, corporate culture, business operation, technology research and development, financial and human resource management, the Group will strive to optimize its asset structure, tighten cost control, accelerate its R&D process so as to come up with more innovative technological applications while effectively converting and promoting its competitive products among its customers.

FINANCIAL REVIEW

Revenue

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

During the Reporting Period, the Group recorded a revenue of RMB118.0 million with an overall stable trend, representing a slight increase of 1.7% from RMB116.0 million for the corresponding period of last year. Specifically:

MANAGEMENT DISCUSSION AND ANALYSIS

Software development services

During the Reporting Period, the Group recorded a revenue of RMB83.4 million from provision of software development services, representing a decrease of 16.8% from RMB100.2 million for the corresponding period of last year. Notably, our revenue from traditional solutions amounted to RMB60.6 million, representing an increase of 64.2% from RMB36.9 million for the corresponding period of last year. Our revenue from innovative solutions amounted to RMB22.8 million, representing a significant decrease of 64.0% from RMB63.3 million for the corresponding period of last year. During the Reporting Period, the Group's software development services business was hindered by the outbreak of COVID-19 pandemic in China in the first quarter of 2023, resulting in a slowdown in the progress of our projects and a prolonged turnaround time.

Technical and maintenance services

During the Reporting Period, the Group recorded revenue from provision of technical and maintenance services of RMB20.8 million, representing a significant increase of 108.0% from RMB10.0 million in the corresponding period of last year. Specifically, revenue from traditional solutions reached RMB15.9 million, and revenue from innovative solutions amounted to RMB4.9 million.

Sale of standard software

During the Reporting Period, the Group recorded revenue from sale of standard software of RMB13.7 million, representing a significant increase of 136.2% from RMB5.8 million in the corresponding period of last year. During the Reporting Period, the Group's revenue from sale of standard software was entirely attributable to innovative solutions. It mainly includes products such as the application system in artificial intelligence image text recognition, medical quality supervision and early warning, and quality control software for medical records.

Cost of sales

During the Reporting Period, the Group's cost of sales was RMB92.9 million, representing an increase of 12.2% from RMB82.8 million in the corresponding period of last year, mainly due to the combined effect of factors such as the slowdown in project progress and the extended project completion cycle as a result of the impact of the large-scale outbreak of the novel coronavirus (COVID-19) pandemic in China in the first quarter of 2023, the increase in project cost as well as the increased payment of staff severance compensation.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded a gross profit of RMB25.1 million, representing a decrease of 24.4% from RMB33.2 million in the corresponding period of last year. The Group's gross profit margin decreased from 28.6% for the six months ended 30 June 2022 to 21.2% for the corresponding period in 2023, which was mainly due to the decline in the gross profit of the software development services business, the largest revenue contributor of the Group during the Reporting Period. Despite the revenue of Group remained stable as compared to the same period of last year, affected by novel coronavirus (COVID-19) pandemic infection peak during the period from December 2022 to the first quarter of 2023, the implementation progress of the Group's software development services business was slow as limited by the schedule for the resumption of work and production of the major customers, resulting in a year-on-year decline in the revenue of such type of business in the first half of 2023. At the same time, the project completion cycle was forced to extend. In addition, the project costs increased significantly due to the combined effect of factors such as increased payment of staff severance compensation as compared to the same period of last year.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB4.8 million, representing an increase of 108.7% from RMB2.3 million in the corresponding period of last year, due to the substantial increase in bank interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

Fair value gains on equity investments at fair value through profit or loss

During the Reporting Period, the Group did not record fair value gains on equity investments at fair value through profit or loss, representing a decrease from RMB13.6 million in the corresponding period of last year, due to the fact that there was no significant change in the value of the Group's investments in the shareholdings in Beijing Fuhuajiaxin Business Incubator Company Limited and Advanced Biomed Inc. during the Reporting Period.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB8.4 million, representing an increase of 52.7% as compared with RMB5.5 million in the corresponding period of last year, primarily due to the additional selling and distribution expenses incurred by the acquired subsidiary, Neusoft Yuetong and an increase in the amount of severance compensation.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB16.7 million, representing an increase of 47.8% as compared with RMB11.3 million in the corresponding period of last year, mainly due to the additional administrative expenses incurred by the acquired subsidiary, Neusoft Yuetong and an increase in the amount of severance compensation.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB18.2 million, representing a significant increase of 156.3% as compared with RMB7.1 million in the corresponding period of last year, primarily due to a spike in R&D expenses resulting from the increase in amortization amount of the Group's deferred development costs and the additional amortization of the identifiable intangible assets portion of the consideration paid for the acquisition of the subsidiary, Neusoft Yuetong.

Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB11.7 million, representing a significant increase of 116.7% as compared with RMB5.4 million in the corresponding period of last year. During the Reporting Period, this was attributable to the increase in expected credit losses on trade receivables, expected credit losses on additional trade receivables arising from the acquisition of a subsidiary, Neusoft Yuetong, and impairment losses on assets arising from a new associate, Beijing Heshun Huikang Technology Company Limited (北京和順慧康科技有限公司).

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB0.5 million, which was basically the same as that in the corresponding period of last year.

Share of results of an associate

During the Reporting Period, the Group's share of losses of an associate amounted to RMB0.9 million as compared with the same period of last year, which was due to the loss of Beijing Heshun Huikang Technology Company Limited, an associate of a newly acquired subsidiary, namely, Neusoft Yuetong.

Loss before taxation

As a result of the foregoing, the Group recorded a loss before taxation of RMB26.5 million during the Reporting Period as compared with a profit before taxation of RMB19.4 million recorded in the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

During the Reporting Period, the Group's income tax expense amounted to RMB0.5 million, representing a decrease of 75.0% as compared with RMB2.0 million in the corresponding period of last year, due to the decrease in taxable income.

Loss for the six months ended 30 June 2023

As a result of the foregoing, the Group recorded a loss of RMB27.0 million during the Reporting Period as compared to profits of RMB17.4 million in the corresponding period of last year, in addition to the effect of a significant decline in gross profit, the decrease was also due to the combined effect of factors, such as the fact that the Group did not record any fair value gain on equity investment at fair value through profit or loss during the Reporting Period, the Group's additional impairment of assets, expected credit losses, selling and distribution expenses, administrative expenses and research and development expenses incurred by the newly acquired subsidiary Neusoft Yuetong, a significant increase in research and development expenses resulting from the increase in the amount of the Group's amortisation of deferred development costs as well as increased payment of staff severance compensation.

Liquidity, capital resources and capital structure

During the Reporting Period, the Group's primary uses of cash were to fund our working capital requirements and research and development of our IT solutions and purchase premise in Chengdu. The Group financed our capital expenditures and working capital requirements principally with cash generated from our operations and proceeds from IPO. As of 30 June 2023, the Group had no bank borrowing balances.

As a result of the Group's continued business expansion, our net current assets amounted to RMB615.0 million as of 30 June 2023, representing a decrease of 10.9% from RMB689.9 million as of 31 December 2022. The Group's cash and cash equivalents amounted to RMB322.9 million as of 30 June 2023, representing a decrease of 22.1% from RMB414.3 million as of 31 December 2022, which was mainly due to the combined effect of factors, such as the repayment of bank borrowings, and the increase in trade receivable and trade payables balances.

Exchange rate fluctuation risk

For the six months ended 30 June 2023, most of the Group's monetary assets were mainly denominated in Hong Kong dollars and Renminbi. Exchange rates are affected by local and international economic developments and political changes, as well as the supply and demand of Renminbi. Any appreciation or depreciation of Renminbi against Hong Kong dollars may affect the Group's results. The Group currently has not implemented any foreign currency hedging policy, but the management will closely monitor the risks and will consider the hedging of significant foreign currency risks when necessary.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 June 30, 2023, our trade receivables amounted to RMB283.7 million and we recorded impairment loss on trade receivables of RMB24.7 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. As at 25 August 2023, the subsequent settlement is set out below in relation to the trade receivables as at 30 June 2023:

RMB'000	Gross amount	Subsequent settlement
Within 180 days	56,555	17,729
181 days to 1 year	71,664	4,019
1 to 2 years	99,849	12,989
2 to 3 years	55,585	4,080
Total	283,653	38,817

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 2023 was mainly from large customers with good reputation and strong creditworthiness, the majority of which were state-owned enterprises and listed 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 required time-consuming internal approval processes before payments were made, and the impact of the prolonged COVID-19 epidemic results in further extension of their payment cycles. As of 30 June 2023, 82.6% of the trade receivable balance was recorded from state-owned enterprises and listed companies.

In addition, the balance of trade receivables over 180 days as of 30 June 2023 was mainly recorded from state-owned enterprises and listed 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) *The balance of trade receivables over 180 days remains in a trend of continuous collection of receivables*
As of 30 June 2023, the balance of trade receivables over 1 year amounted to RMB155.4 million, recorded from a total of 114 customers, among which 96 customers are still performing contracts with the Group so far, and continued to collect receivables since 30 June 2023. With the gradual lifting of the epidemic prevention policies in China in the first quarter of 2023, despite the impact of the seasonal fluctuations in business and receivable collection, as of 25 August 2023, RMB21.1 million has been collected in respect of the Group's trade receivables over 180 days as at 30 June 2023.

(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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease commitments

During the six months ended 30 June 2023, the Group has various contracted, but not provided short-term lease commitments. The future lease payments for these non-cancellable lease contracts were RMB1.4 million due in 2024.

Contingent liabilities

As of 30 June 2023, 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

As of 30 June 2023, the Group did not have future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments

As of 30 June 2023, we did not hold any significant investments representing 5% or more of the Company's total assets as of 30 June 2023.

Charge on Group's assets

As of 30 June 2023, the Group had no charges on our assets.

Capital expenditure

As of 30 June 2023, the Group's capital expenditure in relation to the acquisition of properties, real estate and equipment amounted to RMB24.8 million as compared to the capital expenditure of RMB2.9 million for the corresponding period of last year.

Key Financial and Business Performance Indicators

The Group's return on equity decreased from 2.0% in 2022 to -3.2% in the six months ended 30 June 2023, primarily due to the fact that the Group recorded a loss for the period.

The Group's gearing ratio decreased from 2.2% as at 31 December 2022 to 0.0% as at 30 June 2023, primarily due to the decrease in balance of bank borrowings at the end of June 2023 as compared with the corresponding period in 2022. 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 2023, the Group had a total of 698 employees. Staff costs including Directors' remuneration for the six months ended 30 June 2023 were approximately RMB74.6 million.

The remuneration of the Group's employees includes basic salaries, bonuses and cash subsidies. We determine the remuneration of each employee based on their performance, seniority, position and seniority.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group 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 under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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.

The Group recognizes 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, the Group is committed to our employees' continuing education and development. The Group provides pre-employment and regular continuing trainings to our employees, which the Group believes are effective in equipping them with the skill set and work ethics that it requires. Also, the Group continuously provides comprehensive trainings to its technical staff, equipping them with knowledge and skills to perform a variety of functions on different projects and allowing the Group to quickly find qualified and suitable replacement internally in the event of employee's demission.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As of 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of the Company's issued share capital[1]
Mr. Zhai	Interest in a controlled corporation	300,600,000	38.22%
Ms. Qin Yi	Beneficial owner	1,604,800	0.20%

Note:

(1) The percentage represents the number of Shares interested as at 30 June 2023 divided by the number of the Company's issued Shares as at the end of the Reporting Period, being 786,514,400 Shares.

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As of 30 June 2023, to the best knowledge of the Directors, the following corporations/persons had interests of 5% or more in the Shares or underlying Shares of the Company according to the register of interests required to be kept under section 336 of the SFO:

Long position in Shares of the Company

Name	*Note*	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of the Company's issued share capital[(6)]
Nebula SC		Beneficial owner	300,600,000	38.22%
Mr. Zhai	*(1)*	Interest of a controlled corporation	300,600,000	38.22%
Earnest Kai Holdings Limited		Beneficial owner	138,400,000	17.59%
Mr. YUAN Yukai	*(2)*	Interest of a controlled corporation	138,400,000	17.59%
Mr. GUO Hao		Beneficial owner	80,000,000	10.17%

Notes:

(1) Mr. Zhai is deemed to be interested in the entire interests held by Nebula SC, a company wholly-owned by him. Mr. Zhai is the director of Nebula SC.

(2) Mr. YUAN Yukai is deemed to be interested in the entire interests held by Earnest Kai Holdings Limited, a company wholly owned by him.

(3) The percentage represents the number of Shares interested as at 30 June 2023 divided by the number of the Company's issued Shares as at the end of the Reporting Period, being 786,514,400 Shares.

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2023 no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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.

Compliance with Corporate Governance Code

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph C.2.1 of the CG Code below.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The roles of the Chairman and the CEO of the Company are held by 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 the Group's 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.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code for the six months ended 30 June 2023.

The Group's employees, who are likely to be in possession of inside information of the Group, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company for the six months ended 30 June 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. Ye Jinfu, Mr. Tang Baoqi and Ms. Yang Juan, with Mr. Ye Jinfu being the chairman of the Audit Committee.

The financial information for the six months ended 30 June 2023 set out in the interim report is unaudited but has been reviewed by the Company's external auditor, CCTH 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 this report and was satisfied that the Company's unaudited financial information contained in this report 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 2023 have complied with relevant accounting standards, rules and regulations, and have been officially and properly disclosed.

POST-IPO SHARE OPTION SCHEME

On 5 December 2020, the Company adopted the Post-IPO Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

OTHER INFORMATION

Qualified participants of the Post-IPO Share Option Scheme include (i) any employee (whether full time or part time) of the Company or its subsidiaries, including any officer or executive Director, (ii) any independent non-executive Director, and (iii) any consultant of the Company or its subsidiaries as the Board may in its absolute discretion select.

The Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not exceed 80,000,000 Shares, representing 10.17% of the total issued shares of the Company at the date of this interim report.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from 5 December 2020, with the remaining validity period of approximately 7 years 3 months (as at the date of this report), and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

Participants are not required to pay any amount to apply for or accept a share option.

The exercise price of share options under the Post-IPO Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

No share options have been granted under the Post-IPO Share Option Scheme during the six months ended 30 June 2023 and were outstanding as at 30 June 2023.

A summary of the terms of the Post-IPO Share Option Scheme has been set out in the section headed "D. Post-IPO Share Option Scheme" in Appendix IV of the Prospectus.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The issued shares 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 each by the Company. The net proceeds (after deduction of underwriting fees and commissions and related costs and expenses) received by the Company from the global offering amounted to approximately HK$790.4 million (with a surplus of HK$140.3 million) (being net proceeds of HK$3.952 per new Share) (the "**IPO Proceeds**").

OTHER INFORMATION

As at the beginning of the Reporting Period, the unutilized amount for developing new solutions and upgrading existing solutions was HK$311.8 million, HK$108.1 million of which was intended to develop and upgrade the Group's medical quality control warning system, HK$76.8 million of which was intended to develop the Group's clinical pathway management system, HK$46.1 million of which was intended to develop the Group's telemedicine system, HK$29.2 million of which was intended to develop a new solution of intelligent healthcare platform and HK$51.6 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$45.3 million; and the unutilized amount for working capital and other general corporate purposes was HK$0.0 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**	**37.0**	**274.8**	
–to develop and upgrade the Group's medical quality control warning system	20.0	158.1	18.2	143.9	11.8	96.3	
–to develop the Group's clinical pathway management system	20.0	158.1	18.2	143.9	5.1	71.7	
–to develop the Group's telemedicine system	10.0	79.0	9.1	71.9	4.5	41.6	By December 2025
–to develop a new solution of intelligent healthcare platform	10.0	79.0	9.1	71.9	4.2	25.0	
–to upgrade the Group's RPA solution	20.0	158.1	18.2	143.9	11.4	40.2	
For enhancing the Group's sales and marketing efforts	**10.0**	**79.1**	**9.1**	**72.0**	**7.5**	**37.8**	
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**	**44.5**	**312.6**	

Notes:

(1) 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.

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

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

OTHER INFORMATION

INTERIM DIVIDENDS

The Board has resolved not to declare the payment of interim dividends for the six months ended 30 June 2023 to the Shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SUBSEQUENT EVENTS

No significant event of the Group has occurred subsequent to 30 June 2023 and up to the date of this report.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

CCTH CPA LIMITED
中正天恆會計師有限公司

To the Board of Directors of Newlink Technology Inc.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 50, which comprise the interim condensed consolidated statement of financial position of Newlink Technology Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2023 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with HKAS 34.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 29 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
	Notes	**2023**	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*3*	**117,953**	116,045
Cost of sales	*6*	**(92,889)**	(82,841)
Gross profit		**25,064**	33,204
Other income and gains	*4*	**4,784**	2,303
Fair value gain on equity investments at fair value through profit or loss		**–**	13,640
Selling and distribution expenses		**(8,350)**	(5,489)
Administrative expenses		**(16,728)**	(11,331)
Research and development expenses		**(18,202)**	(7,074)
Other expenses		**(11,670)**	(5,351)
Finance costs	*5*	**(525)**	(539)
Share of results of an associate		**(898)**	–
(Loss)/profit before taxation	*6*	**(26,525)**	19,363
Income tax expense	*7*	**(482)**	(1,964)
(Loss)/profit for the period		**(27,007)**	17,399
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**8,931**	20,932
Total comprehensive (expense)/income for the period		**(18,076)**	38,331
(Loss)/profit for the period attributable to:			
Owners of the Company		**(26,758)**	17,400
Non-controlling interests		**(249)**	(1)
		(27,007)	17,399

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(17,827)**	38,332
Non-controlling interests		**(249)**	(1)
		(18,076)	38,331
		RMB cents	RMB cents
(Loss)/earnings per share			
Basic and diluted	*9*	**(3.40)**	2.21

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property and equipment	*10*	28,972	5,770
Right-of-use assets		15,647	16,907
Goodwill	*11*	36,724	36,724
Intangible assets	*12*	138,714	130,045
Investment in an associate		3,223	6,431
Equity investments at fair value through profit or loss		25,974	25,700
Contract assets	*14*	3,382	3,852
Long-term deposits	*15*	2,224	1,777
Deferred tax assets		4,282	4,282
		259,142	231,488
Current assets			
Inventories		2,232	2,249
Trade receivables	*13*	258,925	206,190
Contract assets	*14*	109,477	113,178
Prepayments, deposits and other receivables	*15*	6,686	6,478
Amounts due from related parties	*21(b)*	17,142	17,149
Pledged deposits		1	222
Restricted bank deposits		18	–
Bank balances and cash		322,873	414,250
		717,354	759,716
Current liabilities			
Trade payables	*16*	46,188	23,666
Contract liabilities		8,841	9,975
Other payables and accruals	*17*	9,734	9,257
Dividends payable	*8*	29,090	–
Interest-bearing bank borrowings	*18*	–	19,000
Lease liabilities		2,916	2,585
Tax payable		5,539	5,297
		102,308	69,780
Net current assets		615,046	689,936
Total assets less current liabilities		874,188	921,424

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		13,482	13,426
Contingent consideration		21,684	21,810
Deferred tax liabilities		3,577	3,577
		38,743	38,813
Net assets		835,445	882,611
Capital and reserves			
Share capital	*19*	5	5
Reserves		833,231	880,148
Equity attributable to owners of the Company		833,236	880,153
Non-controlling interests		2,209	2,458
Total equity		835,445	882,611

The interim condensed consolidated financial information on pages 25 to 50 were approved and authorised for issue by the board of directors on 29 August 2023 and are signed on its behalf by:

Zhai Shuchun
Director

Qin Yi
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022 (audited)	5	710,081	27,468	–	13,390	(8,256)	95,076	837,764	1,507	839,271
Profit/(loss) for the period	–	–	–	–	–	–	17,400	17,400	(1)	17,399
Exchange differences arising on translation of foreign operations	–	–	–	–	–	20,932	–	20,932	–	20,932
Total comprehensive income/ (expense) for the period	–	–	–	–	–	20,932	17,400	38,332	(1)	38,331
At 30 June 2022 (unaudited)	5	710,081*	27,468*	–	13,390*	12,676*	112,476*	876,096	1,506	877,602
At 1 January 2023 (audited)	**5**	**710,081**	**27,468**	**(4,847)**	**13,551**	**21,492**	**112,403**	**880,153**	**2,458**	**882,611**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(26,758)**	**(26,758)**	**(249)**	**(27,007)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**8,931**	**–**	**8,931**	**–**	**8,931**
Total comprehensive income/ (expense) for the period	**–**	**–**	**–**	**–**	**–**	**8,931**	**(26,758)**	**(17,827)**	**(249)**	**(18,076)**
Dividends (Note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**(29,090)**	**(29,090)**	**–**	**(29,090)**
At 30 June 2023 (unaudited)	**5**	**710,081***	**27,468***	**(4,847)***	**13,551***	**30,423***	**56,555***	**833,236**	**2,209**	**835,445**

* These reserve accounts comprise the consolidated reserves of approximately RMB833,231,000 and approximately RMB876,091,000 in the interim condensed consolidated statements of financial position as at 30 June 2023 and 30 June 2022, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(27,062)**	(43,355)
Investing activities		
Purchase of property and equipment	**(24,849)**	(2,935)
Addition to intangible assets	**(26,996)**	(36,042)
Purchase of equity investments at fair value through profit or loss	**–**	(2,280)
Net cash used in investing activities	**(51,845)**	(41,257)
Financing activities		
New bank borrowings raised	**–**	15,000
Repayment of bank borrowings	**(19,000)**	(5,000)
Repayment of principal portion of lease liabilities	**(2,127)**	(2,454)
Net cash (used in)/from financing activities	**(21,127)**	7,546
Net decrease in cash and cash equivalents	**(100,034)**	(77,066)
Cash and cash equivalents at beginning of the period	**414,250**	524,258
Effect of foreign exchange rate changes	**8,657**	17,958
Cash and cash equivalents at end of the period, represented by bank balances and cash	**322,873**	465,150

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company's principal place of business is 5/F., Tower A, Xueqing Jiachuang Building, Xueqing Road, Haidian District, Beijing, in the People's Republic of China (hereafter, 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

These interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 (the "Interim Financial Information") are presented in RMB, unless otherwise stated.

These Interim Financial Information has 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 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The Interim Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("FVTPL") and financial liabilities at FVTPL, which are measured at fair value.

The Interim Financial Information has been prepared in accordance with the accounting policies applied in the Group's consolidated financial statements for the year ended 31 December 2022, except for the application of the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's Interim Financial Information:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. BASIS OF PREPARATION (CONTINUED)

HKFRS 17 *Insurance Contracts and related amendments*

HKFRS 17 was issued in May 2017 as replacement for HKFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying HKFRS 17 to investors and others. The amendments also deferred the application date of HKFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of HKFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of HKFRS 9. The classification can be applied on an instrument-by-instrument basis.

The amendments had no impact on the Group's Interim Financial Information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. BASIS OF PREPARATION (CONTINUED)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process"to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The amendments had no impact on the Group's Interim Financial Information.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments had no impact on the Group's Interim Financial Information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. BASIS OF PREPARATION (CONTINUED)

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments to HKAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendments had no impact on the Group's Interim Financial Information.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax.

The amendments had no impact on the Group's Interim Financial Information.

The Group has not early applied any other new and amended HKFRSs that has been issued but are not yet effective for the current period. The directors of the Company anticipate that all of the new and amended HKFRSs will be applied in the Group's accounting period beginning on or after the effective date of the pronouncement. The application of the new and amended HKFRSs is not expected to have a material impact on the Group's Interim Financial Information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating and reporting segment focusing 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.

Geographical information

During the six months ended 30 June 2023 and 2022, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

Aggregated revenue of approximately RMB27,452,000 (30 June 2022: approximately RMB39,824,000) 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer 1	**15,496**	25,956
Customer 2	*****	13,868
Customer 3	**11,956**	*

* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Software development services	**83,397**	100,177
Technical and maintenance services	**20,807**	10,033
Sale of standard software	**13,749**	5,835
Total revenue from contracts with customers	**117,953**	116,045
Timing of revenue recognition		
Goods transferred at a point in time	**13,749**	5,835
Services transferred over time	**104,204**	110,210
Total revenue from contracts with customers	**117,953**	116,045

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Software development services	**2,471**	270
Technical and maintenance services	**1,824**	131
	4,295	401

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**3,903**	1,253
Value Added Tax ("VAT") refunds and other tax subsidies (Note)	**480**	1,050
Change in fair value of contingent consideration	**126**	–
Others	**275**	–
	4,784	2,303

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on interest-bearing bank borrowings	**69**	381
Interest on lease liabilities	**456**	158
	525	539

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

6. (LOSS)/PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	**92,889**	82,841
Research and development expenses:		
Deferred expenditure amortised (Note (i))	**11,503**	3,230
Current year expenditure	**6,699**	3,844
	18,202	7,074
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**74,615**	50,005
Pension scheme contributions (defined contribution scheme) (Note (ii))	**13,989**	8,328
	88,604	58,333
Depreciation of property and equipment	**1,647**	1,053
Depreciation of right-of-use assets	**3,712**	2,181
Amortisation of intangible assets (Note (i))	**18,327**	7,874
Impairment losses recognised for trade receivables (Note (iii))	**8,084**	1,974
Impairment losses (reversed)/recognised for contract assets (Note (iii))	**(65)**	120
Impairment loss on investment in an associate (Note (iii))	**2,310**	–
Foreign exchange difference, net (Note (iii))	**909**	2,974

Notes:

(i) The amortisation of deferred development expenses 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.

(ii) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(iii) Included in "other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC EIT	**482**	321
Deferred tax	**–**	1,643
Income tax expense	**482**	1,964

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Pursuant to the PRC on Enterprise Income Tax ("EIT") Law and the respective regulations, the subsidiaries in Mainland China are subject to income tax at a statutory rate of 25% during the period, except for certain subsidiaries which obtained the "High and New Technology Enterprise" qualification with preferential tax rate of 15% (30 June 2022: 15%).

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. During the six months ended 30 June 2023 and 2022, no provision for Hong Kong Profits Tax has been made since no assessable profits has been generated by the Group.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 30 June 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amount of temporary difference associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB99,134,000 as at 30 June 2023 (31 December 2022: approximately RMB120,486,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

8. DIVIDENDS

On 31 March 2023, the board of directors of the Company proposed a final dividend of HK$0.04 (equivalent to RMB0.037) per ordinary share in respect of the year ended 31 December 2022 (2021: Nil) and the proposed resolution was passed by the shareholders by way of poll as required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited on 9 June 2023. The final dividend amounting to approximately HK$31,461,000 (equivalent to approximately RMB29,090,000) (2021: Nil) has been recognised as a liability in the financial statements.

No interim dividend in respect of the six months ended 30 June 2023 was proposed, approved or paid during the six months ended 30 June 2023 (30 June 2022: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 786,514,400 (30 June 2022: 786,514,400) in issue at the end of the reporting period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(26,758)**	17,400

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**786,514,400**	786,514,400
Basic and diluted (loss)/earnings per share	**RMB cents (3.40)**	RMB cents 2.21

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property and equipment with a cost of RMB24,849,000 (30 June 2022: approximately RMB2,935,000), including building, electronic devices and leasehold improvements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

11. GOODWILL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
COST AND NET CARRYING AMOUNT		
At the beginning of the period/year	36,724	–
Arising on acquisition of subsidiaries	–	54,970
Disposal of a subsidiary	–	(18,246)
At the end of the period/year	36,724	36,724

Impairment test of goodwill

There is one cash-generating unit ("CGU"), namely Beijing Neusoft Yuetong Software Technology Co., Limited ("Neusoft Yuetong"), which is included in the operating segment of IT solution service identified by the Group. Goodwill acquired through business combinations is allocated to the CGU based on the ratio of the recoverable amount of a CGU at the date of acquisition.

During the year ended 31 December 2022, the Group disposed of the entire equity interests of Beijing Jiafutong Network Technology Co., Ltd. ("Jiafutong"). The disposal was completed on 14 December 2022.

The carrying amount of goodwill as at 30 June 2023 was approximately RMB36,724,000 (31 December 2022: approximately RMB36,724,000). The recoverable amounts of the CGU at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows taking into account the expected operating synergy, profitability and growth of businesses arising from the acquisition of Neusoft Yuetong and its subsidiary. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion and compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from a track record of financial results. Management's financial model assumes an average growth rate of 3% per annum from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors. A discount rate of 15% is used based on the pre-tax weighted average cost of capital plus an appropriate risk premium relating to the CGU at the date of assessment.

No impairment loss has been recognised in respect of goodwill for the six months ended 30 June 2023 as its recoverable amount of CGU exceeded its carrying amount.

12. INTANGIBLE ASSETS

During the six months ended 30 June 2023, additions and amortisation of intangible assets were approximately RMB26,996,000 (30 June 2022: approximately RMB36,042,000) and approximately RMB18,327,000 (30 June 2022: approximately RMB7,874,000) respectively. As at 30 June 2023, the carrying amount of the intangible assets of the Group included deferred development costs that are not yet available for use of approximately RMB28,971,000. 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 2023 as compared to the year ended 31 December 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

13. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**283,653**	222,834
Less: allowance for expected credit losses	**(24,728)**	(16,644)
	258,925	206,190

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	**33,617**	31,374
91 to 180 days	**22,325**	31,609
181 days to 365 days	**70,632**	54,092
1 year to 2 years	**90,084**	62,540
2 years to 3 years	**42,267**	26,575
	258,925	206,190

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

14. CONTRACT ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract assets	114,581	118,817
Less: allowance for expected credit losses	(1,722)	(1,787)
	112,859	117,030
Classified as:		
Current assets	109,477	113,178
Non-current assets	3,382	3,852
	112,859	117,030

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	1,797	1,628
Deposits	2,224	1,777
Deposits and other receivables	4,889	4,850
	8,910	8,255
Classified as:		
Current assets	6,686	6,478
Non-current assets	2,224	1,777
	8,910	8,255

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

16. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	24,323	3,854
91 to 180 days	230	1,667
181 days to 365 days	1,417	2,537
Over 1 year	20,218	15,608
	46,188	23,666

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Other payables	2,604	2,721
Accrued staff costs	1,329	4,370
Other tax payables	5,801	2,166
	9,734	9,257

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

18. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2023 RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	31 December 2022 RMB'000 (Audited)
Current:						
Bank loans – unsecured	–	–	–	3.55-4.6	2023	19,000

19. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised:		
50,000,000,000 ordinary shares of US$0.000001 each	**349**	349
Issued and fully paid:		
786,514,400 ordinary shares of US$0.000001 each	**5**	5

A summary of movements in the Company's share capital is as follows:

	Number of shares	**Par value** US$	**Share capital** US$	**Equivalent to** RMB'000
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	786,514,400	0.000001	787	5

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

20. COMMITMENTS

Lease commitments

At the end of the reporting period, the lease commitments for short-term lease are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	**1,442**	491

Capital commitments

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted but not provided for		
– Acquisition of property and equipment	**–**	23,500

21. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
Mr. Zhai	Ultimate beneficial owner of the Company and the executive director of the Company
Mr. Zhai Guanhua	Chief financial officer of the Company and a close member of Mr. Zhai
Beijing Guanruitong E-Commerce Technology Company Limited ("Guanruitong")	Controlled by the Mr. Zhai
Beijing Fuhuajiaxin Investment Management Company Limited ("Fuhua Investment")	Controlled by Mr. Zhai Guanhua
Beijing Fuhuajiaxin Business Incubator Company Limited ("Fuhuajiaxin")	Controlled by Mr. Zhai Guanhua
Beijing Heshun Huikang Technology Company Limited ("Beijing Heshun")	Associate

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the balances and transactions detailed elsewhere in this report, the Group had the following material related party transactions during the six months ended 30 June 2023 and 2022:

(a) Transaction with a related party

Related party	Nature of transactions	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Fuhua Investment	Purchase of equity investment (Note)	–	2,280

Note: During the six months ended 30 June 2022, Beijing Newlink Technology Company Limited, a subsidiary of the Group, acquired an additional 10% equity interest in Fuhuajiaxin from Fuhua Investment at a consideration of RMB2,280,000. Upon completion of the acquisition and subsequent to the capital increase of Fuhuajiaxin, the Group held equity interest of 19.8% in Fuhuajiaxin.

(b) Amounts due from related parties

	30 June 2023 RMB'000 (Unaudited)	Maximum amount outstanding during the period RMB'000	31 December 2022 RMB'000 (Audited)
Guanruitong	16,069	16,069	16,069
Beijing Heshun	1,073	1,080	1,080
	17,142	17,149	17,149

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**1,226**	1,708
Pension scheme contributions	**99**	156
	1,325	1,864

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2023, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has determined that the carrying amounts of trade receivables, deposits and other receivables, amounts due from related parties, pledged deposits, restricted bank deposits, bank balances and cash, trade payables, other payables and accruals, interest-bearing bank borrowings, lease liabilities reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The following table presents financial instruments measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial instrument is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments measured at fair value in the interim condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

As at 30 June 2023 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Unlisted equity investments	–	–	**25,974**	**25,974**
Financial liabilities at FVTPL				
Contingent consideration	–	–	**21,684**	**21,684**

As at 31 December 2022 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Unlisted equity investments	–	–	25,700	25,700
Financial liabilities at FVTPL				
Contingent consideration	–	–	21,810	21,810

For the six months ended 30 June 2023 and year ended 31 December 2022, there were no transfers amongst level 1, level 2 and level 3 in the fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial instruments on recurring basis:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2022	2,280	–
Purchased	9,385	–
Acquisition	–	30,810
Disposal	–	(11,740)
Fair value changes	14,035	2,740
At 31 December 2022 and 1 January 2023	**25,700**	**21,810**
Fair value changes recognised in profit or loss	**–**	**(126)**
Exchange adjustments	**274**	**–**
At 30 June 2023	**25,974**	**21,684**

Set out below are the significant unobservable inputs to valuation as at 30 June 2023.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Financial assets				
Equity investments at FVTPL	Market approach	Price-to-sales ratio	2.91 – 5.84	5% increase/(decrease) in price-to-sales ratio would result in increase/(decrease) in fair value by RMB1,298,700
		Discount for lack of marketability	15.8%	Increase/(decrease) in discount would (decrease)/increase the fair value
Financial liabilities				
Contingent consideration	Income approach	Discount rate	15%	5% increase/(decrease) in the discount rate would result in (decrease)/increase in fair value by RMB1,084,000

In the opinion of the directors of the Company, the fair value change on the unlisted equity investments and contingent consideration are considered to be insignificant for the six months ended 30 June 2023 because there is no significant change in the financial projections of the investments, unobservable input and assumptions.