



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1808

INTERIM
REPORT
2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Zhuoyang
Liu Yang

Independent Non-executive Directors

Cai Jinliang
Chin Hon Siang
Chen Kwok Wang

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Li Zhuoyang
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Cai Jinliang (*Committee Chairman*)
Chin Hon Siang
Chen Kwok Wang

REMUNERATION COMMITTEE

Chin Hon Siang (*Committee Chairman*)
Cai Jinliang
Li Zhuoyang

NOMINATION COMMITTEE

Chin Hon Siang (*Committee Chairman*)
Cai Jinliang
Li Zhuoyang

AUDITOR

BOFA CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1105, 11/F.
Jubilee Centre
18 Fenwick Street/46 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

The board (the “Board”) of directors (the “Directors”) of Enterprise Development Holdings Limited (the “Company”) presents the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 together with comparative figures for the corresponding period in 2022. The unaudited interim financial report has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

		Six months ended 30 June	
	<i>Note</i>	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	4	29,434	24,852
Cost of sales		(18,866)	(13,820)
Gross profit		10,568	11,032
Other revenue		263	135
Other gains, net	5	7,143	39
Distribution expenses		(7,055)	(7,130)
General and administrative expenses		(9,880)	(9,026)
Fair value gain (loss) on financial assets at fair value through profit or loss (“FVPL”)		4,160	(7,829)
Profit (loss) from operation		5,199	(12,779)
Finance costs	6(a)	(548)	(395)
Profit (loss) before taxation	6	4,651	(13,174)
Income tax credit (expense)	7	31	(114)
Profit (loss) for the period		4,682	(13,288)
Attributable to:			
Equity shareholders of the Company		5,098	(12,892)
Non-controlling interests		(416)	(396)
Profit (loss) for the period		4,682	(13,288)
		RMB	RMB (Restated)
Basic and diluted earnings (loss) per share	9	0.038	(0.167)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Profit (loss) for the period	4,682	(13,288)
Other comprehensive income for the period		
<i>Items that are or may be reclassified to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas operations	4,977	1,003
	4,977	1,003
Total comprehensive income (loss) for the period	9,659	(12,285)
Attributable to:		
Equity shareholders of the Company	9,989	(11,918)
Non-controlling interests	(330)	(367)
Total comprehensive income (loss) for the period	9,659	(12,285)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	2,285	574
Intangible assets	11	4,664	3,485
Right-of-use assets	12	2,238	2,105
		9,187	6,164
Current assets			
Financial assets at FVPL	13	25,153	10,958
Contract assets		19,219	6,213
Trade and other receivables	14	104,885	78,607
Cash and cash equivalents		152,853	101,036
		302,110	196,814
Current liabilities			
Trade and other payables	15	18,193	16,553
Contract liabilities		2,386	2,085
Lease liabilities	12	1,436	1,008
Interest-bearing borrowings	16	20,441	14,531
Current taxation		489	520
		42,945	34,697
Net current assets		259,165	162,117
Total assets less current liabilities		268,352	168,281
Non-current liability			
Lease liabilities	12	926	1,167
NET ASSETS		267,426	167,114

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	<i>Note</i>		
Capital and reserves			
Share capital	17	17,752	6,939
Reserves		197,073	106,610
Total equity attributable to equity shareholders of the Company		214,825	113,549
Non-controlling interests		52,601	53,565
TOTAL EQUITY		267,426	167,114

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	114,835	556,194	(8,440)	2,291	8,483	19,963	(568,745)	124,581	56,259	180,840
Changes in equity for the six months ended 30 June 2022										
Loss for the period	-	-	-	-	-	-	(12,892)	(12,892)	(396)	(13,288)
Other comprehensive income	-	-	-	-	-	974	-	974	29	1,003
Total comprehensive loss for the period	-	-	-	-	-	974	(12,892)	(11,918)	(367)	(12,285)
Transactions with owners										
<i>Contributions and distributions</i>										
Capital reorganisation	(109,093)	(429)	-	-	-	-	109,093	(429)	-	(429)
	(109,093)	(429)	-	-	-	-	109,093	(429)	-	(429)
Balance at 30 June 2022 (Unaudited)	5,742	555,765	(8,440)	2,291	8,483	20,937	(472,544)	112,234	55,892	168,126
Balance at 1 January 2023	6,939	564,253	(8,440)	2,291	8,483	21,943	(481,920)	113,549	53,565	167,114
Changes in equity for the six months ended 30 June 2023										
Profit for the period	-	-	-	-	-	-	5,098	5,098	(416)	4,682
Other comprehensive income	-	-	-	-	-	4,891	-	4,891	86	4,977
Total comprehensive income (loss) for the period	-	-	-	-	-	4,891	5,098	9,989	(330)	9,659
Transactions with owners										
<i>Contributions and distributions</i>										
Issue of rights shares, net of expenses (note 17)	10,813	79,840	-	-	-	-	-	90,653	-	90,653
Acquisition of non-controlling interests without a change in control	-	-	634	-	-	-	-	634	(634)	-
	10,813	79,840	634	-	-	-	-	91,287	(634)	90,653
Balance at 30 June 2023 (Unaudited)	17,752	644,093	(7,806)	2,291	8,483	26,834	(476,822)	214,825	52,601	267,426

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash used in operating activities	(44,314)	(44,390)
Net cash used in investing activities	(3,246)	(750)
Net cash generated from financing activities	94,921	1,662
Net increase (decrease) in cash and cash equivalents	47,361	(43,478)
Cash and cash equivalents as at 1 January	101,036	115,636
Effect on exchange rate changes	4,456	1,064
Cash and cash equivalents as at 30 June	152,853	73,222

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

1. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “IASB”) and were authorised for issue on 31 August 2023.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual consolidated financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an unaudited interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains unaudited consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual consolidated financial statements. The unaudited interim report and notes thereon do not include all the information required for full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

The financial information relating to the financial year ended 31 December 2022 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Consolidated financial statements for the year ended 31 December 2022 are available from the Company’s principal place of business in Hong Kong.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

The adoption of these amendments to IFRSs and IAS did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

The Group has not applied any new standards, amendments and interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented one major reportable segment during the six months ended 30 June 2023 and 2022.

Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC")

In addition, other unreportable segment (money lending and security trading) are aggregated and presented as "Others".

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

3. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade payables and accruals attributable to the sales activities of the individual segments and interest-bearing borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit (loss) is “adjusted profit (loss) before taxation”. Adjusted profit (loss) before taxation is the Group’s profit (loss) before items not specifically attributed to individual segments, such as directors’ and auditor’s remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit (loss) before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and interest-bearing borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2023 and 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

3. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the period is set out below.

	Software business		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue						
Revenue from external customers	29,434	24,852	-	-	29,434	24,852
Reportable segment revenue	29,434	24,852	-	-	29,434	24,852
Reportable segment profit (loss)						
Adjusted profit (loss) before taxation	(1,154)	(1,245)	8,875	(9,410)	7,721	(10,655)
Fair value gain (loss) on financial assets at FVPL	-	-	4,160	(7,829)	4,160	(7,829)
Gain on disposal of financial assets at FVPL	-	-	7,143	39	7,143	39
Interest income from bank deposits	7	5	4	-	11	5
Interest expenses	(493)	(354)	(12)	-	(505)	(354)
Depreciation and amortisation	(918)	(1,012)	(123)	(3)	(1,041)	(1,015)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

3. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

	Software business		Others		Total	
	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Reportable segment assets	190,593	170,597	48,308	25,273	238,901	195,870
Reportable segment liabilities	35,844	28,266	787	-	36,631	28,266
Additions to non-current segment assets during the reporting period	4,027	4,550	-	-	4,027	4,550

(b) Reconciliation of reportable segment revenue, loss, assets and liabilities

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	29,434	24,852
Profit (loss) before taxation		
Reportable segment profit (loss) derived from the Group's external customers	7,721	(10,655)
Unallocated head office and corporate expenses	(3,070)	(2,519)
Consolidated profit (loss) before taxation	4,651	(13,174)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

3. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment revenue, loss, assets and liabilities (continued)

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Assets		
Reportable segment assets	238,901	195,870
Unallocated head office and corporate assets	72,396	7,108
Consolidated total assets	311,297	202,978
Liabilities		
Reportable segment liabilities	36,631	28,266
Unallocated head office and corporate liabilities	7,240	7,598
Consolidated total liabilities	43,871	35,864

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and right-of-use assets ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided, or the goods delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and right-of-use assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

3. SEGMENT REPORTING (continued)

(c) Geographic information (continued)

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
The PRC	29,434	24,852	8,541	6,164
Hong Kong	-	-	646	-
	29,434	24,852	9,187	6,164

4. REVENUE

The principal activity of the Group is the provision of integrated business software solutions.

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Software maintenance and other services	18,101	15,513
Sales of software products and other products	11,333	9,339
	29,434	24,852

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

5. OTHER GAINS, NET

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Gain on disposal of financial assets at FVPL	7,143	39
	7,143	39

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

6. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is arrived at after charging (crediting):

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
(a) Finance costs		
Interest expenses on interest-bearing borrowings wholly repayable within five years	489	380
Interest expenses on lease liabilities	59	15
	548	395
(b) Staff costs		
Salaries, wages and other benefits	10,176	9,700
Contributions to defined contribution retirement schemes	1,244	1,151
	11,420	10,851
(c) Other items		
Amortisation on intangible assets	201	108
Depreciation on property, plant and equipment	203	97
Depreciation on right-of-use assets (note 12)	637	809
Gain on disposal of property, plant and equipment, net	-	(208)
Leases expenses under short-term leases	160	462
Loss allowance on other receivables	-	864

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

7. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax		
PRC Enterprises Income Tax		
Over (under) provision in respect of prior period	31	(114)

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the six months ended 30 June 2023 and 2022 as it was awarded high-technology status by the tax authority.

No provision for Hong Kong Profits Tax and the PRC income tax have been made as the Group does not have assessable profits or incurred a loss for taxation purposes for the six months ended 30 June 2023 and 2022.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2023 and 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

8. DIVIDENDS

No dividend was paid or proposed in respect of the six months ended 30 June 2023 (*six months ended 30 June 2022: Nil*), nor has any dividend been proposed since the end of the reporting period.

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of approximately RMB5,098,000 (*six months ended 30 June 2022: loss of RMB12,892,000*) and the weighted average of 133,277,036 (*six months ended 30 June 2022 (restated): 77,208,693*) ordinary shares in issue during the interim period.

The comparative amount of the basic loss per share for 2022 has been adjusted to reflect the impact of the bonus element of the rights issue effected subsequent to 30 June 2022.

Potential dilutive ordinary shares are not included in the calculation of diluted earnings (loss) per share because they are antidilutive. Therefore, the diluted earnings (loss) per share equals the basic earnings (loss) per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of furniture, fixtures and equipment and motor vehicles (*six months ended 30 June 2022: furniture, fixtures and equipment*) with a cost of approximately RMB1,914,000 (*six months ended 30 June 2022: RMB29,000*). No property, plant and equipment was disposed during the six months ended 30 June 2023 (*six months ended 30 June 2022: accumulated depreciation of furniture, fixtures and equipment and motor vehicles with total value of approximately RMB208,000 were written off and a gain on disposal of approximately RMB208,000 resulted*).

11. INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group developed software patents (*six months ended 30 June 2022: software patents*) with a cost of approximately RMB1,380,000 (*six months ended 30 June 2022: RMB734,000*).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	<i>RMB'000</i>
Costs:	
At 1 January 2023	4,312
Additions	734
Exchange adjustments	42
At 30 June 2023	5,088
Accumulated depreciation:	
At 1 January 2023	2,207
Depreciation for the period	637
Exchange adjustments	6
At 30 June 2023	2,850
Carrying amount	
At 30 June 2023 (Unaudited)	2,238
At 31 December 2022 (Audited)	2,105

Lease liabilities

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Current portion	1,436	1,008
Non-current portion	926	1,167
	2,362	2,175

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

13. FINANCIAL ASSETS AT FVPL

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	2,451	1,467
Equity securities listed in the United States	22,702	9,491
	25,153	10,958

Note:

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

During the six months ended 30 June 2023, a fair value gain on listed equity securities of RMB4,160,000 (six months ended 30 June 2022: loss of RMB7,829,000) was recognised in profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

14. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables, net of loss allowance	<i>(a)</i>	26,419	26,893
Loan receivables from third parties	<i>(b)</i>	14,008	13,384
Less: loss allowance on loan receivables	<i>(c)</i>	(14,008)	(13,384)
Loan receivables, net of loss allowance		-	-
Prepayments made to suppliers, net of impairment loss		25,193	27,137
Deposits and other receivables, net of loss allowance		53,273	24,577
		78,466	51,714
		104,885	78,607

All of the trade and other receivables are expected to be recovered within one year.

Note:

- (a) As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 month	8,720	14,881
Over 1 month but less than 3 months	1,224	2,668
Over 3 months but less than 1 year	13,172	6,443
Over 1 year but less than 2 years	3,219	2,901
Over 2 years	84	-
	26,419	26,893

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

14. TRADE AND OTHER RECEIVABLES (continued)

Note: (continued)

- (b) As at 30 June 2023, (i) loan receivables of approximately RMB14,008,000 (31 December 2022: RMB13,384,000) were unsecured, carried at fixed interest rates ranging from 7% to 10% per annum and overdue. The loan receivables were denominated in HK\$.
- (c) During the six months ended 30 June 2023 and 2022, no increase nor decrease in accumulated loss allowances on loan receivables recognised in profit or loss.

15. TRADE AND OTHER PAYABLES

	Note	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables	(a)	9,505	9,159
Non-trade payables and accrued expenses		7,462	5,955
Other tax payables		1,226	1,439
		18,193	16,553

All of the trade and other payables are expected to be settled within one year.

Note:

- (a) As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 month or on demand	7,455	8,747
Over 1 month but within 3 months	1,932	–
Over 3 months but within 6 months	–	–
Over 6 months but within 1 year	–	353
Over 1 year	118	59
	9,505	9,159

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

16. INTEREST-BEARING BORROWINGS

	<i>Note</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Loan from a third party, unsecured and unguaranteed	(a)	4,628	4,422
Loan from a former fellow subsidiary, unsecured and unguaranteed	(b)	7,813	7,109
Loans from banks, unsecured and unguaranteed	(c)	8,000	3,000
		20,441	14,531

Note:

- (a) Loan from a third party, unsecured and unguaranteed

At 30 June 2023, the loan from a third party is unsecured, carried interest rate of 2% (31 December 2022: 2%) per annum and is repayable within one year.

- (b) Loan from a former fellow subsidiary, unsecured and unguaranteed

At 30 June 2023, the loan from a former fellow subsidiary is unsecured, carried interest rate of 10% (31 December 2022: 10%) per annum and overdue.

- (c) Loan from banks, unsecured and unguaranteed

At 30 June 2023, the loans from banks are unsecured, carried interest rate of 3.6% (31 December 2022: 4.05%) per annum and are repayable within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

17. SHARE CAPITAL

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	No. of shares	HK\$	No. of shares	HK\$
Authorised:				
Ordinary shares of HK\$0.1 each				
At beginning of period/year and at end of the period/year	10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of period/year	81,631,274	8,163,127	1,360,625,725	136,062,573
Capital reorganisation	–	–	(1,292,594,451)	(129,259,446)
Issue of placing shares	–	–	13,600,000	1,360,000
Issue of rights shares (<i>note</i>)	122,446,911	12,244,691	–	–
At end of the period/year	204,078,185	20,407,818	81,631,274	8,163,127
		<i>RMB equivalent</i>		<i>RMB equivalent</i>
		17,752,024		6,938,615

Note:

On 14 March 2023, the shareholders of the Company approved a rights issue on the basis of three rights shares for every two existing shares in issue and held on 24 March 2023 at a subscription price of HK\$0.85 per rights share. The rights issue became unconditional on 18 April 2023. 122,446,911 rights shares with the par value of HK\$0.1 each were allotted and issued on 25 April 2023. The net proceeds of approximately RMB90,653,000 (equivalent to approximately HK\$102,653,000) were received.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

18. SHARE OPTION

(a) Share option scheme

On 26 May 2016, with approval by the shareholders, the Company adopted a new share option scheme (the “Scheme”) for a period of 10 years to replace the share option scheme approved on 18 December 2006 that would otherwise expire on 17 December 2016. To conform with the amendments to the Listing Rules relating to share schemes of listed issuers which took effect from 1 January 2023, on 23 June 2023, with approval by the shareholders, the Company adopted certain amendments to the Scheme (the “Amended Scheme”).

Under the Amended Scheme, the Company may grant options to directors and employees of the Company and the subsidiaries on the basis of their past contribution and potential contribution to the development and growth of the Group. Options will not be granted to participants solely based on past performance. The options granted are subject to the vesting period, if determined at the Board’s absolute discretion, and the clawback mechanism under the terms of the Amended Scheme, and will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee’s employment with the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Amended Scheme and any other share schemes of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. The scheme mandate limit has been refreshed by the shareholders of the Company at the annual general meeting held on 23 June 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

18. SHARE OPTION (continued)

(a) Share option scheme (continued)

The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the Amended Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his close associates abstaining from voting (or his associates if the participant is a core connected person abstaining from voting).

Under the Amended Scheme, the options granted may be accepted by a participant within 28 days from the date of such offer. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. The option period and vesting period, if any, of the share options granted is determinable by the directors of the Company and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price for shares payable on exercise of share options granted under the Amended Scheme shall be a price determined by the directors of the Company, but shall in any event not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Amended Scheme.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

18. SHARE OPTION (continued)

(b) Movement in share option granted:

The following table discloses movements of the Company's share options held by a director and employees of the Group during the period:

Name/category of participant	Date of grant	Exercise period	Exercise price at 1 January 2023 HK\$	Outstanding at 1 January 2023	Adjustment*	Outstanding at 30 June 2023	Adjusted exercise price at 30 June 2023 HK\$
Li Zhuoyang	1 September 2020	1 December 2020 to 31 August 2030	4.126	324,070	43,719	367,789	3.6356
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	4.126	1,309,142	176,605	1,485,747	3.6356
				1,633,212	220,324	1,853,536	

Upon completion of the rights issue on 25 April 2023, the number of outstanding share options has been adjusted from 1,633,212 to 1,853,536 and the exercise price has been adjusted from HK\$4.126 per share to HK\$3.6356 per share. Details are set out in the Company's announcement dated 24 April 2023.

Note:

As at 30 June 2023, Ms. Li Zhuoyang ("Ms. Li"), the executive director of the Company was interested in an aggregate of 367,789 share options of the Company which shall entitle for her to subscribe for up to 367,789 shares of the Company at an exercise price of HK\$3.6356 each.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these unaudited interim financial report on recurring basis at 30 June 2023 across the three levels of the fair value hierarchy defined in IFRS 13, *Fair value measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(a) Recurring fair value measurement

	30 June 2023 RMB'000 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets measured at fair value				
Financial assets at FVPL				
– Listed equity securities	25,153	25,153	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Recurring fair value measurement (continued)

	31 December 2022 RMB'000 (Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<hr/>				
Assets measured at fair value				
Financial assets at FVPL				
– Listed equity securities	10,958	10,958	–	–
<hr/>				

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurements.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022.

20. COMMITMENTS

Commitments under leases

At 30 June 2023, the Group was committed to RMB81,000 (31 December 2022: RMB235,000) for short-term leases and low value assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Short-term employee benefits	2,524	1,231
Post-employment benefits	71	99
	2,595	1,330

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB29,434,000 (six months ended 30 June 2022: RMB24,852,000), of which revenue from (i) software maintenance and other services amounted to approximately RMB18,101,000 (six months ended 30 June 2022: RMB15,513,000); and (ii) sales of software products and other products amounted to approximately RMB11,333,000 (six months ended 30 June 2022: RMB9,339,000). The increase in overall revenue for the software business rose 18.4% year on year to RMB29,434,000, driven largely by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which is in alignment with localisation policy for the database software business.

Gross Profit

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB10,568,000 (six months ended 30 June 2022: RMB11,032,000). The gross profit ratio for the software business of the Group during the period was approximately 36% while that of the corresponding period in 2022 was approximately 44%. The decrease in gross profit ratio was mainly due to the increase in proportion for sales of domestic-produced database software product which have lower gross profit margin.

Finance Costs

For the six months ended 30 June 2023, finance costs was approximately RMB548,000 (six months ended 30 June 2022: RMB395,000). The increase in finance costs was due to the increase in interest expenses on interest-bearing borrowings.

Distribution Expenses

For the six months ended 30 June 2023, distribution expenses were approximately RMB7,055,000 (six months ended 30 June 2022: RMB7,130,000). There is no significant fluctuation in distribution expenses which mainly include the staff costs and selling expenses of the software business in the PRC during the period.

General and Administrative Expenses

For the six months ended 30 June 2023, the general and administrative expenses of the Group were approximately RMB9,880,000 (six months ended 30 June 2022: RMB9,026,000). The slight increase in general and administrative expenses was attributable to the increase in staff costs and overseas travelling expense during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Fair Value and Gain on Disposal of Financial Assets at Fair Value Through Profit or Loss

The Group invested in various financial instruments for short-term investments, including the equity securities listed in Hong Kong and the United States. During the six months ended 30 June 2023, fair value gain on financial assets at fair value through profit or loss of approximately RMB4,160,000 (six months ended 30 June 2022: loss of RMB7,829,000) was recognised in profit or loss, and recorded net gain on disposal of financial assets at fair value through profit or loss of approximately RMB7,143,000 (six months ended 30 June 2022: RMB39,000).

Loss for the Period

For the six months ended 30 June 2023, the Group recorded net profit for the period of approximately RMB4,682,000 (six months ended 30 June 2022: net loss of RMB13,288,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2023, the Group maintained cash and cash equivalents amounting to approximately RMB152,853,000 (31 December 2022: RMB101,036,000). As at 30 June 2023, the Group's current ratio was approximately 7.03 times (31 December 2022: 5.67 times); and the Group's net gearing ratio at 30 June 2023 and 31 December 2022 are not applicable since the Group had cash in excess of interest-bearing borrowings.

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 30 June 2023 and 31 December 2022, the Group had no pledge of other assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Increase in Beijing Orient LegendMaker Software Development Co., Ltd. (“Beijing Orient LegendMaker”)

On 4 November 2022, the Company entered into a capital increase agreement (the “Capital Increase Agreement”) with Beijing Orient LegendMaker and Oriental Legend Maker Technology Ltd. (“OLM”), an indirect non-wholly owned subsidiary of the Company, pursuant to which, the Company agreed to carry out the increase in capital by the Company in Beijing Orient LegendMaker with an investment amount of RMB12.85 million (the “Capital Increase”), representing approximately 10.46% of the equity in Beijing Orient LegendMaker following the completion of the Capital Increase, which was taken place in February 2023.

Before the Capital Increase, Beijing Orient LegendMaker was wholly owned by OLM, a company 60% owned by the Company. Upon completion of the Capital Increase, the Company directly holds approximately 10.46% interests in Beijing Orient LegendMaker and OLM holds approximately 89.54% interests in Beijing Orient LegendMaker, such that the Company holds approximately 53.72% beneficial equity interest in Beijing Orient LegendMaker through OLM. Together with the 10.46% interests directly held by the Company, the Company holds an aggregate of approximately 64.18% interests in Beijing Orient LegendMaker.

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including interest-bearing borrowings, and equity attributable to equity shareholders of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group’s overall strategy remains unchanged throughout the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Subscription of New Shares

On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares with the par value of HK\$0.1 each at the subscription price of HK\$0.1 per share to two independent third parties for cash (the “Subscriptions”) with aggregate nominal value of HK\$22,677,096. The gross proceeds and net proceeds arising from the Subscriptions amounted to approximately HK\$22.67 million and HK\$22.37 million, respectively. The Company intended to apply (i) approximately HK\$11.64 million for capital injection in Beijing Orient LegendMaker as detailed in the announcements of the Company dated 9 November 2021, 29 November 2021 and 5 August 2022 (the “Capital Injection”) and (ii) approximately HK\$10.73 million for general working capital of the Group which shall be applied on, including, but not limited to, approximately 70% for staff cost, approximately 20% for professional fees, approximately 5% for rental payments and approximately 5% for general administrative and operating expenses of the Group.

As at 30 June 2023, the net proceeds from the Subscriptions were used as intended, of which (i) approximately RMB2,935,000 (equivalent to HK\$3,573,000) for the Capital Injection: (a) research and development in artificial intelligent solution software (the “R&D Project”), including approximately RMB1,203,000 (equivalent to HK\$1,465,000) on salaries and allowances for employment of engineers for the R&D Project, approximately RMB61,000 (equivalent to HK\$74,000) on procurement of computers, equipment and related hardware and approximately RMB352,000 (equivalent to HK\$429,000) on payment of service fees for engagement of consultants and service providers in relation to R&D Project; (b) expansion of the current solution services provided in conjunction with, and to complement the procurement of new domestic-produced database software in its database software business, including approximately RMB1,221,000 (equivalent to HK\$1,486,000) on staff costs for employment of engineers providing on-site technical support services to end customers of the database software business and approximately RMB98,000 (equivalent to HK\$119,000) on procurement of computer, equipment and related hardware; and (ii) approximately RMB8,771,000 (equivalent to HK\$10,730,000) for general working capital of the Group, among which approximately RMB6,008,000 (equivalent to HK\$7,350,000) is for staff cost, approximately RMB392,000 (equivalent to HK\$480,000) is for rental payments, approximately RMB1,807,000 (equivalent to HK\$2,210,000) is for professional fee and the remaining RMB564,000 (equivalent to HK\$690,000) is for general administrative expenses. The expected timeline for utilising the remaining net proceeds of approximately RMB6,580,000 (equivalent to HK\$8,067,000) for the Capital Injection will be used according to the intended use on or before December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of New Shares

On 10 August 2022, the Company entered into a placing agreement (the “Placing Agreement”) with VC Brokerage Limited (the “Placing Agent”), pursuant to which the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 13,606,000 placing shares (the “Placing Share(s)”) at the placing price of HK\$0.84 per Placing Share (the “Placing”). The maximum Placing Shares of up to 13,606,000 shares represent approximately 20% of the then existing issued share capital of the Company as at the date of the Placing Agreement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The Placing Shares were approved to issue under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2022. On 1 September 2022, an aggregate of 13,600,000 Placing Shares with the par value of HK\$0.1 each have been successfully issued at placing price of HK\$0.84 per Placing Share with aggregate nominal value of HK\$1,360,000. The gross proceeds from the Placing amounted to approximately HK\$11.4 million and the net proceeds amounted to approximately HK\$10.95 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.82 per Placing Share. The Company intends to apply the net proceeds of the Placing (i) as to HK\$4.0 million for part of the capital injection in Beijing Orient LegendMaker which would be applied towards the research and development of the artificial intelligence related solutions software and expansion of Group’s existing business to promote a domestic-produced database software to its end customers, and (ii) as to the remaining approximately HK\$6.95 million as general working capital for the Company’s Hong Kong office including staff cost, professional fees, rental payments and other general administrative and operating expenses. Completion of Placing took place on 1 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the net proceeds from the Placing were used as intended of which (i) approximately RMB3,335,000 (equivalent to HK\$4,000,000) for the Capital Increase: (a) research and development in the R&D Project, including approximately RMB1,908,000 (equivalent to HK\$2,288,000) on salaries and allowances for employment of engineers for the R&D Project; (b) expansion of the current solution services provided in conjunction with, and to complement the procurement of new domestic-produced database software in its database software business, including approximately RMB1,427,000 (equivalent to HK\$1,712,000) on staff costs for employment of engineers providing on-site technical support services to end customers of the database software business; and (ii) approximately RMB6,350,000 (equivalent to HK\$6,950,000) for general working capital of the Group, among which approximately RMB3,198,000 (equivalent to HK\$3,500,000) is for staff cost, RMB2,010,000 (equivalent to HK\$2,200,000) is for professional fee, RMB411,000 (equivalent to HK\$450,000 is for rental payment) and the remaining RMB731,000 (equivalent to HK\$800,000) is for general administrative expenses. All the proceeds from the Placing were utilised in full.

Rights Issue

On 29 November 2022, the Company announced its proposal to raise up to approximately HK\$106.16 million before expenses, by way of the rights issue (the “Rights Issue”), by issuing up to 124,896,729 rights shares (the “Right Share(s)”) (assuming all 1,633,212 outstanding share options (the “Share Options”) granted under the share option scheme adopted by the Company on 26 May 2016 (the “Share Option Scheme”) are exercised in full on or before 10 February 2023 (the “Record Date”), but otherwise no other shares are issued and no repurchase of shares on or before the Record Date and full subscription under the Rights Issue) at the subscription price of HK\$0.85 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing shares of the Company held on the Record Date. The Company has appointed VC Brokerage Limited as underwriter (the “Underwriter”) of the Rights Issue pursuant to the underwriting agreement entered into on 29 November 2022 (the “Underwriting Agreement”). The Record Date has been extended to 3 March 2023 and further extended to 24 March 2023 pursuant to the supplemental underwriting agreement and second supplemental agreement entered into between the parties on 10 January 2023 and 3 February 2023 respectively (the “Extended Record Date”).

MANAGEMENT DISCUSSION AND ANALYSIS

As at the Extended Record Date (i.e. 24 March 2023), the number of issued Shares was 81,631,274 Shares and the total number of Rights Shares to be issued was up to 122,446,911 Rights Shares. The net proceeds from the Rights Issue after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be approximately HK\$101.70 million. The Company intends to apply (i) 96% of the net proceeds from the Rights Issue of the maximum amount of approximately HK\$97.63 million for the general working capital of the Group in the Industrial Park Software Project (as defined below) in which (a) approximately HK\$75.59 million will be applied in the procurement of the hardware facilities, networking facilities, database facilities and application facilities for the use of the potential customers of industrial parks (the "Industrial Park Software Project"); (b) approximately HK\$22.04 million will be applied in the staff cost, sales and marketing for promotion of the services of the Industrial Park Software Project in different industrial parks located in different provinces in the PRC and management and other operating expenses (including (1) management fee such as rent and utilities; (2) tax; (3) equipment testing and evaluation; and (4) other miscellaneous expenses) for the use of the Group; and (ii) 4% of the net proceeds of approximately HK\$4.07 million from the Rights Issue will be used for the general working capital such as overhead expenses including salary, rental and other expenses of the Company. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As the Rights Issue increased the total number of issued Shares by more than 50% within a 12-month period, the Rights Issue was subject to the approval by the independent shareholders, and the independent shareholders have approved the Rights Issue at an extraordinary general meeting held on 14 March 2023 (the "EGM") by way of poll.

All the conditions precedent set out in the Underwriting Agreement had been fulfilled and the Underwriting Agreement had not been terminated by the Underwriter, and accordingly, the Underwriting Agreement and the Rights Issue became unconditional at 4:00 p.m. on Tuesday, 18 April 2023. (i) A total of 23 valid acceptances of provisional allotments under the provisional allotment letters had been received for a total of 64,312,770 Rights Shares, representing approximately 52.52% of the total number of 122,446,911 Rights Shares available for subscription under the Rights Issue; and (ii) a total of 23 valid applications for excess Rights Shares under the forms of application for excess Right Shares had been received for a total of 88,116,927 Rights Shares, representing approximately 71.96% of the total number of 122,446,911 Rights Shares available for subscription under the Rights Issue. The Rights Issue was over-subscribed by 29,982,786 Rights Shares, representing approximately 24.49% of the total number of 122,446,911 Rights Shares available for subscription under the Rights Issue.

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 April 2023, an aggregate of 122,446,911 Rights Shares with nominal value of HK\$12,244,691.10 had been issued and allotted. The subscription price of HK\$0.85 per Rights Share represents a discount of approximately 39.72% to the closing price of HK\$1.410 per share of the Company as quoted on the Stock Exchange on 29 November 2022. The gross proceeds from the Rights Issue was approximately HK\$104.08 million and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, was approximately HK\$102.653 million (equivalent to a net subscription price of approximately HK\$0.84 per Rights Share). For the details of the Rights Issue, including the reasons for and benefits of the Rights Issue, please refer to the Company's prospectus dated 24 March 2023.

As at 30 June 2023, the net proceeds from the Rights Issue was utilized as to approximately RMB979,000 (equivalent to HK\$1,107,000) for general working capital of the Group, among which approximately RMB637,000 (equivalent to HK\$720,000) is for professional fee and the remaining RMB342,000 (equivalent to HK\$387,000) is for general administrative expenses. The remaining net proceeds of approximately RMB89,674,000 (equivalent to HK\$101,546,000) will be used according to the intended use in which (i) approximately RMB87,027,000 (equivalent to HK\$98,553,000) for the general working capital of the Group in the Industrial Park Software Project will be utilised on or before June 2025; and (ii) approximately RMB2,647,000 (equivalent to HK\$2,993,000) for the general working capital such as overhead expenses including salary, rental and other expenses of the Company will be utilised by December 2023.

Significant Investments

The Group has no significant investment as at 30 June 2023.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

Save as the Capital Increase mentioned above, the Group has not made any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

Events after the Reporting Period

There was no events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 June 2023, the Group employed 101 (30 June 2022: 85) full time employees. The staff costs amounted to approximately RMB11.42 million for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB10.85 million). The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong. The Company had also adopted the Share Option Scheme.

Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liability (31 December 2022: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB29,434,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB24,852,000), representing an increase of approximately 18.4%. During the first half year of 2023, the prevailing financial and economic condition are still keen competitive and challenging because of the post-pandemic economic recession arising from the negative influence of COVID-19 pandemic (the “Pandemic”). However, the Pandemic has been relaxed in early 2023, the software business was benefited from the all-round improvement in management to recover gradually in the first half year of 2023 compared to the corresponding period in 2022. The increase in overall revenue for the software business was driven largely by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which is in alignment with localisation policy for the database software business.

OUTLOOK

We have an experienced technical team which can provide our clients with prompt and effective services and business solutions and we have established a solid client base over the years. Over the past ten years, the Group’s software business has provided database software and engineering services to the PRC enterprise customers in terms of life cycle management, health check, troubleshooting and function upgrade which has a significant market share and a strong brand effect in this area.

MANAGEMENT DISCUSSION AND ANALYSIS

In early 2023, despite the post negative impact of Pandemic influence every aspect in the society and domestic economy, the Group has tried to maintain its competitiveness through introduction of new products and services, further broadening of client base and implementation of various cost control policies. President Xi Jinping's political report mentions China's continuous pursuit of technological self-reliance and urging for greater localization across the whole hardware supply chain and software industry. In line with the PRC Government's Policy, the clients of software business started searching for domestic produced database software, which were at preliminary development stage back then, from various local database software developers with the view to replace imported database software. The Group has put great effort on the implementation of database software localization, included investing in talent over the year to enhance the research and development capability and broadening of client base during the first half year of 2023 etc. As a result, the Group recorded an increase of 18.4% in the consolidated revenue for the first half year of 2023 as compared with the same period of 2022.

Looking ahead, the management believes that the market will gradually step out of the Pandemic and return to normal. The Company expects that on a long-term basis, in line with the national policy of information technology self-sufficiency, there will be more PRC based customers switching to the domestic brand when seeking for database software service providers. In order to maintain the Group's sustainability and value creation capability over the long term, the Group will try to maintain its competitiveness through introduction of new products and services, and will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to its shareholders.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

Name of Director	Capacity	Long position/ Short position	Number of shares held/Approximate percentage in total number of issued shares
Ms. Li Zhuoyang ("Ms. Li") <i>(Note)</i>	Beneficial Owner	Long position	367,789 (0.18%)

Note: 6,300,000 share options were granted to Ms. Li on 1 September 2020 (subsequent to the grant date, the number of share options was adjusted to 6,481,413 to reflect the bonus element of rights issue completed on 18 May 2021; was adjusted to 324,070 upon the capital reorganisation became effective on 25 March 2022 and was further adjusted to 367,789 to reflect the bonus element of rights issue completed on 25 April 2023) pursuant to the share option scheme adopted by the Company on 26 May 2016 (the "Share Option Scheme"). Therefore, under Part XV of the SFO, Ms. Li is taken to be interested in the underlying shares that she is entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2023.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

AGGREGATE INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Long Position/ Short Position	Number of shares held/Approximate percentage in total number of issued shares
Hong Tai International II LPF	Beneficial Owner	Long position	37,000,850 (18.13%)

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2023.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme at the annual general meeting of the Company held on 26 May 2016. The terms of the Share Option Scheme were amended pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 June 2023 ("2023 AGM"). The amendments are to conform with the amendments to the Listing Rules relating to share schemes of listed issuers which took effect from 1 January 2023. For details of the amended Share Option Scheme, please refer to the circular of the Company dated 19 May 2023.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

The purpose of the Share Option Scheme is to enable the Company to grant options to directors and employees of the Company and the subsidiaries on the basis of their past contribution and potential contribution to the development and growth of the Group. At the 2023 AGM, the then shareholders of the Company approved the refreshment of the scheme mandate limit under the Share Option Scheme. The total number of options available for grant under the scheme mandate limit at 1 January 2023 and 30 June 2023 was 5,669,273 and 20,407,818 respectively.

Details of the movement in the share options granted under the Share Option Scheme during the six months ended 30 June 2023 are as follows:

Name/category of participants	Date of grant of share option	Exercise Period	Exercise Price (HK\$)	Outstanding as at 1 January 2023	Adjustment [#]	Granted during the period under review	Exercised / lapsed / cancelled / forfeited during the period under review	Outstanding as at 30 June 2023
Li Zhuoyang	1 September 2020	1 December 2020 to 31 August 2030	3.6356 [#]	324,070	43,719	-	-	367,789
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	3.6356 [#]	1,309,142	176,605	-	-	1,485,747
Total				1,633,212	220,324	-	-	1,853,536

The vesting period of the share options is from the date of grant up to 30 November 2020. These share options are vested to the grantees on 1 December 2020 and exercisable up to 31 August 2030.

[#] Upon completion of the Rights Issue on 25 April 2023, the number of outstanding share options granted has been further adjusted from 1,633,212 to 1,853,536 and the exercise price has been further adjusted from HK\$4.126 to HK\$3.6356 per share. Details are set out in the Company's announcement dated 24 April 2023.

As at 30 June 2023, the Company had 1,853,536 adjusted share options (adjusted as a result of the Rights Issue) outstanding under the Share Option Scheme. The number of shares that may be issued in respect of the share options granted under the Share Option Scheme divided by the weighted average number of issued shares of the Company for the six months ended 30 June 2023 was 1.39%. No share option was granted, lapsed, cancelled and exercised during the six months ended 30 June 2023.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2023, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which is explained below.

Under CG code provision C.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chief executive officer. The roles and functions of chairman and chief executive officer have been performed by the Board jointly.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the six months ended 30 June 2023.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang. The unaudited interim financial results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

By Order of the Board
Enterprise Development Holdings Limited
Li Zhuoyang
Executive Director

Hong Kong, 31 August 2023