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OneForce Holdings Limited

元力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1933)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September 2023 RMB'000	For the six months ended 30 September 2022 RMB'000
Revenue	253,685	179,376
Gross profit	40,990	34,081
Profit attributable to shareholders	2,821	9,703
Earnings per share		
– basic and diluted (RMB cents)	0.57	1.96

- Revenue: During the six months ended 30 September 2023 (the “**Reporting Period**”), OneForce Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) recorded an increase in revenue by approximately RMB74,309,000 or 41.4% as compared with that for the same period of last year, mainly due to the implementation of a number of large-scale informatisation construction projects of energy companies, the increased sale of software and solutions business, and the deepened cooperation with power grid companies, resulting in the growth in provision of technical services.
- Gross profit: During the Reporting Period, the gross profit of the Group increased by approximately RMB6,909,000 as compared with that for the same period of last year, and the overall gross profit margin fell from approximately 19.0% to approximately 16.2%, mainly due to the increase in outsourcing labour costs leading to an increase in cost of sales.
- Profit attributable to shareholders: During the Reporting Period, the profit attributable to shareholders fell by approximately RMB6,882,000, which was mainly attributable to: i) the gross profit of the Group increased by approximately RMB6,909,000 and; ii) the Group increased its investment in research and development activities, resulting in an increase of approximately RMB10,739,000 in research and development costs.
- Earnings per share – basic and diluted: Based on the reasons above, our basic and diluted earnings per share decreased accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of the Group is pleased to present the interim results (“**Interim Results**”) of the Group for the Reporting Period.

INDUSTRY REVIEW

The "Analysis and Prediction Report on the National Electricity Supply and Demand Situation in the First Half of 2023" released by the China Electricity Enterprise Federation shows that in the first half of 2023, the total electricity consumption in the People’s Republic of China (the “**PRC**”) was approximately 4.31 trillion kilowatt hours, representing a year-on-year increase of approximately 5.0%, and the growth rate was approximately 2.1 percentage points higher than the same period last year. The recovery of the national economy in the first half of 2023 drove the growth rate of electricity consumption to increase year-on-year.

With the marketisation of electricity prices, the increase in the proportion of integrated renewable energy in the power system, and the electrification of energy consumption, the fluctuation of electricity prices is gradually increasing, and the number of equipment connected to the power grid is also increasing exponentially. The digital construction of the energy and power field has begun to extend to the energy consumption link on the demand side, forming a massive amount of data. The real-time nature of data, network flexibility and interactivity have greatly improved. Digital technology can achieve optimal energy allocation and is becoming the foundation for achieving electricity marketisation and scenario based services.

On 27 February 2023, the Central Committee of the Communist Party of China and the State Council issued the "Overall Layout Plan for the Construction of Digital China", which pointed out the need to strengthen, optimise, and expand the digital economy, promote the deep integration of digital technology and the real economy, and accelerate the innovative application of digital technology in key fields such as energy, healthcare, and transportation. The policy incentives and the expansion of market demand provides ample momentum for energy digital enterprises.

BUSINESS REVIEW

When new scenarios such as distributed energy, electric vehicles, and energy storage emerge in large numbers and are connected to the grid, a highly interconnected energy system is taking shape. In addition to basic electricity services, load aggregation, green electricity trading, demand response, optical charging and storage, power big data, AI empowerment, etc., will become the new demand of the energy market, and professional energy Internet platforms are playing an important role.

The electricity market reform is continuously advancing, and the new energy transformation of the power system is accelerating. The Group is a leading technology enterprise in the energy information technology industry, and has been deeply engaged in the field of power and energy information technology for 27 years. It is time for the Group to take advantage of the construction of the new power system, and take full advantage of the accelerated transformation of the new power system (from now to 2030), the overall formation period (from 2030 to 2045), and the consolidation and improvement period (from 2045 to 2060).

Meanwhile, the Group is also engaged in the integration of the electric power industry, information industry and Internet of Things (“**IoT**”) industry. Based on years of research and

development investment and practical experience in information and IoT technology, it independently developed a globally leading intelligent IoT product called π core in 2013. The intelligent IoT gateway product ‘ π core’ is the sensory nerve endings of a smart city, which provides access to power and network, connects all the smart applications, obtains data and distributes information in cities. At the same time, π core's data platform covers the entire lifecycle of data, including functions such as data aggregation, data governance, data processing, and data analysis, maximising data value, achieving data resource utilisation, data productisation, and data commercialisation. It provides one-stop data products and services for both data suppliers and users, ensuring the safe circulation of data.

The Group is accelerating its investment in research and development, improving its technology system with spatiotemporal big data and artificial intelligence as its core, actively participating in the public data operation work of cooperating provinces and cities, and will continue to obtain stable profits. In the early stage, the Group has completed the construction of smart light poles in Mentougou District in Beijing, and smart city applications such as Jinan and Baoding smart waste classification stations.

OUTLOOK AND PROSPECT

The world is entering a stage of economic development led by the information industry, and the industrial upgrading is led by digital technologies such as next-generation information technology, new energy technology, and intelligent manufacturing technology, which has opened up new values and development space for the digital economy. In view of these substantial development opportunities, the Group will continue to innovate in a constantly changing environment and create value for society.

FINANCIAL REVIEW

Revenue

The following table sets out the breakdown of the Group's revenue by business segments during the Reporting Period:

	For the six months ended 30 September 2023 RMB'000	For the six months ended 30 September 2022 RMB'000
Sale of software and solutions	64,330	40,655
Provision of technical services	166,650	123,279
Sale of products	22,705	15,442
	<u>253,685</u>	<u>179,376</u>

During the Reporting Period, the Group's revenue increased by approximately RMB74,309,000, which was mainly due to the combination of the following:

- (i) the year-on-year increase in revenue from sale of software and solutions by approximately RMB23,675,000, which was mainly contributed by the implementation of a number of large-scale information construction projects of energy enterprises such as State Grid Corporation of China, Inner Mongolia Power (Group) Company Limited and China Southern Power Grid Company Limited ("CSG") during the Reporting Period;
- (ii) the increase in revenue from provision of technical services by approximately RMB43,371,000, which was mainly attributable to the further expansion of the types and scope of technical services provided to customers such as CSG and NARI Technology Co., Ltd.; and
- (iii) the increase in revenue of sale of products by approximately RMB7,263,000 which was mainly attributable to the increase in revenue of LED screen and operation system equipment.

Cost of sales and gross profit margin

The following table sets out the breakdown of the Group's cost of sales and gross profit margin by business segments during the Reporting Period:

	For the six months ended 30 September 2023	For the six months ended 30 September 2022
Cost of sales (RMB'000)		
Sale of software and solutions	46,961	28,613
Provision of technical services	143,642	102,042
Sale of products	22,092	14,640
	212,695	145,295
Gross profit margin		
Sale of software and solutions	27.0%	29.6%
Provision of technical services	13.8%	17.2%
Sale of products	2.7%	5.2%
	16.2%	19.0%

During the Reporting Period, the year-on-year increase in cost of sales of the Group was approximately RMB67,400,000, which was mainly driven by the growth in revenue of sales. Meanwhile, the Group's overall gross profit margin fell from approximately 19.0% to approximately 16.2%, mainly due to the increase in outsourcing labour costs leading to an increase in cost of sales.

Intangible assets and property, plant and equipment ("PP&E")

As of 30 September 2023, the carrying amount of intangible assets was approximately RMB4,952,000 (31 March 2023: RMB8,835,000). The carrying amount of PP&E was approximately RMB6,939,000 (31 March 2023: approximately RMB7,899,000).

Trade and bill receivables and contract assets

As of 30 September 2023, the carrying amount of trade and bill receivables and contract assets amounted to approximately RMB468,554,000 (31 March 2023: approximately RMB442,797,000). The increase was mainly driven by the growth in revenue. The Group's credit policy and the creditability of its customers were stable as compared with prior years.

Inventories and other contract costs

As of 30 September 2023, the carrying amount of inventories and other contract cost was approximately RMB43,017,000 (31 March 2023: approximately RMB19,425,000).

R&D expenditure

The following table sets out the breakdown of the Group's capitalised/R&D expenditure charged to profit or loss accounts during the Reporting Period:

	For the six months ended 30 September 2023 RMB'000	For the six months ended 30 September 2022 RMB'000
R&D expenditure		
Charged to profit or loss accounts	<u>17,913</u>	<u>7,174</u>
	<u>17,913</u>	<u>7,174</u>

As a technology and innovation driven company, the Group has been consistently investing in R&D activities. During the Reporting Period, the Group has continued to increase its R&D investment. The amount of R&D expenditure increased by approximately RMB10,739,000 as compared with that for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group had net current assets amounting to approximately RMB256,799,000 (31 March 2023: approximately RMB248,408,000), including cash at bank and on hand of approximately RMB20,743,000 (31 March 2023: approximately RMB55,517,000). The Group's current ratio (as calculated by current assets divided by current liabilities) was 1.87 times (31 March 2023: 1.87 times).

The Group's interest-bearing liabilities include short-term bank loans of approximately RMB97,256,000 (31 March 2023: approximately RMB70,631,000) and long-term bank loans of approximately RMB3,000,000 (31 March 2023: approximately RMB3,000,000). Interest-bearing liabilities represent 36.9% of net assets (31 March 2023: 27.4%).

SIGNIFICANT INVESTMENT HELD, SUBSTANTIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

During the Reporting Period and up to the date of this announcement, the Group did not hold any significant investment and had no substantial acquisition and disposal of assets and merger issues.

CAPITAL STRUCTURE

The share capital of the Company only comprises ordinary shares. As at 30 September 2023, the Company had 503,927,177 shares in issue.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: none).

TREASURY MANAGEMENT

During the Reporting Period, there had been no material change in the Group's funding and treasury policies. The Group has a sufficient level of cash and a certain level of forecasted banking facilities for the conduct of its trade in the normal course of business.

The management of the Company closely reviews trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Company also closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

PLEDGE OF ASSETS

As at 30 September 2023, no cash has been charged as security for bank borrowings of the Group (31 March 2023: none).

As at 30 September 2023, trade receivables of RMB58,238,000 have been pledged to Beijing Haidian Sci-tech Enterprises Financing Guarantee for bank borrowings to the Group.

As at 30 September 2023, the Group had no property, plant and equipment that was held under finance leases (31 March 2023: none).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023 – unaudited

(Expressed in Renminbi (“RMB”))

		Six months ended 30 September	
	Note	2023 RMB'000	2022 RMB'000
Revenue	4	253,685	179,376
Cost of sales		<u>(212,695)</u>	<u>(145,295)</u>
Gross profit	4(b)	40,990	34,081
Other income	5	1,540	3,584
Selling expenses		(3,163)	(2,595)
Administrative and other operating expenses		(28,792)	(15,597)
Impairment losses on trade receivables, contract assets and other receivables		<u>(6,783)</u>	<u>(6,954)</u>
Profit from operations		3,792	12,519
Finance costs		(1,763)	(1,500)
Share of profits/(losses) of an associate		<u>17</u>	<u>(5)</u>
Profit before taxation	6	2,046	11,014
Income tax	7	<u>775</u>	<u>(1,311)</u>
Profit for the period attributable to equity shareholders of the Company		<u>2,821</u>	<u>9,703</u>
Earnings per share			
Basic/diluted (RMB cents)	8	<u>0.57</u>	<u>1.96</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*For the six months ended 30 September 2023 – unaudited
(Expressed in RMB)*

	Six months ended 30 September	
	2023 RMB'000	2022 RMB'000
Profit for the period	<u>2,821</u>	<u>9,703</u>
Other comprehensive income for the period (after tax)		
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
- Exchange differences on translation of financial statements into presentation currency	<u>337</u>	<u>1,048</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>3,158</u>	<u>10,751</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023 – unaudited

(Expressed in RMB)

		At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	6,939	7,899
Intangible assets	10	4,952	8,835
Interest in an associate		3,651	3,634
Deferred tax assets		4,667	3,368
		20,209	23,736
		20,209	23,736
Current assets			
Inventories and other contract costs	11	43,017	19,425
Contract assets	12	66,993	61,004
Trade and bill receivables	13	401,561	381,793
Prepayments, deposits and other receivables	14	21,198	17,656
Cash at bank and on hand	15	20,743	55,517
		553,512	535,395
		553,512	535,395
Current liabilities			
Trade payables	16	120,682	136,682
Other payables and accruals	17	56,567	58,095
Bank loans		97,256	70,631
Income tax payable		22,208	21,579
		296,713	286,987
		296,713	286,987
Net current assets		256,799	248,408
		256,799	248,408
Total assets less current liabilities		277,008	272,144
Non-current liabilities			
Non-current liabilities		2,085	-
Bank loans		3,000	3,000
Lease liabilities		298	677
		5,383	3,677
		5,383	3,677
Net assets		271,625	268,467
		271,625	268,467
Capital and reserves	18		
Share capital		4,130	4,130
Reserves		267,495	264,337
Total equity		271,625	268,467
		271,625	268,467

NOTES

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

OneForce Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 5 July 2016 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 March 2018 (the “**Listing Date**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the design, implementation, enhancement and upgrades of software systems and the provision of technical services for power grid and distribution companies in Chinese Mainland and the sale of products and the investment, construction and operation of smart city infrastructure in Chinese Mainland.

2. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 28 November 2023.

During the six months ended 30 September 2023, the Group recorded a net operating cash outflow of RMB61,453,000 (six months ended 30 September 2022: RMB19,184,000). However, at 30 September 2023, the Group’s current assets exceeded its current liabilities by RMB256,799,000 (31 March 2023: RMB248,408,000). Considering that the Group has maintained long-term strong business relationship with its major banks to get their continuing support and currently most of the bank loans were guaranteed by shareholders of the Group, the directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the twelve months ending 30 September 2024. Based on the cash flow forecast, the directors of the Company are of the opinion that the Group will have sufficient financial resources for its operations for at least 12 months from the end of the reporting period. As such, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2024. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information 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.

The interim financial information contains condensed 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 consolidated financial statements for the year ended 31 March 2023. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial information is unaudited but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors is included in the interim report.

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to

these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim results announcement for the current accounting period.

- IFRS 17, *Insurance contracts*
- Amendments to ISA 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to ISA 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to ISA 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the design, implementation, enhancement and upgrades of software systems and the provision of technical services for power grid and distribution companies in Chinese Mainland and the sale of products. Further details regarding the Group's principal activities are disclosed in Note 4(b).

i. Disaggregation of revenue

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major service lines is as follows:

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Sale of software and solutions	64,330	40,655
Provision of technical services	166,650	123,279
Sale of products	22,705	15,442
	<u>253,685</u>	<u>179,376</u>

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue are set out below.

	Six months ended 30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	102,972	52,373
Customer B	52,904	54,684
Customer C	30,021	23,832

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Software and solutions: this segment engages in the design, implementation, enhancement and upgrades of software systems for power grid and distribution companies.
- Technical services: this segment engages in the provision of maintenance services on the software systems sold.
- Products: this segment sells software systems related hardware and spare parts.

i. Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil). The Group's other income and expense items, such as other income, selling expenses, administrative and other operating expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

Six months ended 30 September 2023				
	Sale of software and solutions	Provision of technical services	Sale of products	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Disaggregated by timing of revenue recognition				
- Over time	64,330	166,650	-	230,980
- Point in time	-	-	22,705	22,705
Revenue from external customers and reportable segment revenue	64,330	166,650	22,705	253,685
Reportable segment gross profit	17,369	23,008	613	40,990

Six months ended 30 September 2022				
	Sale of software and solutions	Provision of technical services	Sale of products	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Disaggregated by timing of revenue recognition				
- Over time	40,655	123,279	-	163,934
- Point in time	-	-	15,442	15,442
Revenue from external customers and reportable segment revenue	40,655	123,279	15,442	179,376
Reportable segment gross profit	12,042	21,237	802	34,081

ii. *Reconciliations of reportable segment results to consolidated profit before taxation*

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Segment results	40,990	34,081
Other income	1,540	3,584
Financial costs	(1,763)	(1,500)
Selling expenses	(3,163)	(2,595)
Administrative and other operating expenses	(28,792)	(15,597)
Impairment losses on trade receivables, contract assets and other receivables	(6,783)	(6,954)
Share of profits/(losses) of an associate	17	(5)
Consolidated profit before taxation	2,046	11,014

iii. *Geographic information*

All of the Group's operations are carried out and the Group's customers are located in Chinese Mainland. The Group's non-current assets, including property, plant and equipment and intangible assets are all located or allocated to operations located in Chinese Mainland.

5. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Refund of value added tax ("VAT")	51	50
Additional deduction of VAT (<i>Note (i)</i>)	1,535	3,234
Others	(46)	300
	1,540	3,584

Note:

- (i) According to Announcement [2023] No.1 of Ministry of Finance and State Taxation Administration, entities engage in production services, including software service, are entitled to a 5% additional deduction of VAT input to offset the tax payable from 1 January 2023 to 31 December 2023.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs[#]

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	46,131	45,642
Contributions to defined contribution retirement scheme	2,711	2,951
	<u>48,842</u>	<u>48,593</u>

The employees of the subsidiaries of the Group established in Chinese Mainland participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in Chinese Mainland, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(b) Other items

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Depreciation and amortisation [#]	4,891	6,382
Impairment losses on trade receivables, contract assets and other receivables	6,783	6,954
Operating lease charges in respect of office premises	1,285	735
Research and development costs (other than amortisation)	17,913	7,174
Outsourced labour cost [#]	155,554	73,124
Cost of sales [#] (Note 11)	<u>212,154</u>	<u>145,242</u>

[#] Cost of sales include RMB188,681,000 (six months ended 30 September 2022: RMB120,625,000) relating to staff costs, outsourced labor cost, and depreciation and amortisation, respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(a) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represent:

	Six months ended 30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Income Tax		
- Provision for the period	659	2,692
- (Over)/under provision in respect of prior years	(135)	22
Deferred Tax		
- Origination and reversal of temporary differences	(1,299)	(1,403)
	(775)	1,311

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Profit before taxation	<u>2,046</u>	<u>11,014</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (<i>Notes (i), (ii) and (iii)</i>)	618	2,898
Tax effect of non-deductible expenses	176	257
Tax effect of non-taxable income	(4)	1
Tax effect on bonus deduction of research and development costs (<i>Note (iv)</i>)	(3,059)	(1,664)
Effect of tax losses not recognised	2,054	505
Tax concessions (<i>Notes (v)</i>)	<u>(560)</u>	<u>(686)</u>
Actual tax expense	<u>(775)</u>	<u>1,311</u>

Notes:

- (i) The two-tiered profits tax rates regime of the subsidiaries of the Group incorporated in Hong Kong is applicable from the year of assessment 2019/20 onwards. The profits tax rate for the first Hong Kong Dollars (“**HK\$**”) 2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.
- (ii) The Company and the subsidiaries of the Group incorporated outside Hong Kong and Chinese Mainland are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in Chinese Mainland are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2023 (six months ended 30 September 2022: 25%).
- (iv) According to the relevant tax rules in Chinese Mainland, qualified research and development expenditures, are allowed for bonus deduction for income tax purpose, i.e. an additional 100% after 30 September 2022 of such expenditures is deemed to be deductible expenses.
- (v) The subsidiaries of the Group established in Chinese Mainland, Along Grid (北京愛朗格瑞科技有限公司) and Aipu Zhicheng (北京艾普智城网络科技有限公司), have obtained an approval from the tax bureau to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the period from 18 October 2022 to 17 October 2025.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2023 is based on the profit attributable to the equity shareholders of the Company of RMB2,821,000 (six months ended 30 September 2022: RMB9,703,000) and 495,415,177 ordinary shares (six months ended 30 September 2022: 495,415,177 shares) in issue during the six months ended 30 September 2023.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil) has not taken into account the effect of the outstanding share options, which is anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment with a cost of RMB48,000 (six months ended 30 September 2022: RMB68,000).

10. INTANGIBLE ASSETS

Intangible assets of the Group at 30 September 2023 mainly represented self-developed software with an aggregate carrying amount of RMB4,952,000 (31 March 2023: RMB8,835,000).

11. INVENTORIES AND OTHER CONTRACT COSTS

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Products	234	-
Software systems under development	42,783	19,425
	<u>43,017</u>	<u>19,425</u>

The analysis of the amounts of inventories recognised as expenses as follows:

	Six months ended 30 September	
	2023 RMB'000	2022 RMB'000
Cost of sales	212,154	145,242
	<u>212,154</u>	<u>145,242</u>

12. CONTRACT ASSETS

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Arising from performance under contracts with customers	68,157	62,038
Less: loss allowance	<u>1,164</u>	<u>1,034</u>
	<u>66,993</u>	<u>61,004</u>

13. TRADE AND BILLS RECEIVABLES

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Trade receivables	428,190	406,239
Bills receivable	<u>4,772</u>	<u>583</u>
	432,962	406,822
Less: loss allowance	<u>31,401</u>	<u>25,029</u>
	<u>401,561</u>	<u>381,793</u>

As at 30 September 2023, trade receivables of RMB58,238,000 have been pledged to Beijing Haidian Sci-tech Enterprises Financing Guarantee for bank borrowings to the Group.

(a) Ageing analysis

The ageing analysis of trade and bills receivables, based on the invoice date and net of allowance, of the Group is as follows:

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Less than 1 year	342,562	356,576
1 to 2 years	53,607	21,533
2 to 3 years	5,392	3,684
Over 3 years	<u>-</u>	<u>-</u>
	<u>401,561</u>	<u>381,793</u>

The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Credit terms of 90 days may be granted to certain customers for progress billings.

(b) Impairment of trade receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Amounts due from a related party	38	38
Prepayment for technical service fee	14,939	13,651
Prepayment for miscellaneous expenses	3,202	1,199
Staff advances and other deposits	4,933	4,442
Others	840	799
	<u>23,952</u>	<u>20,129</u>
Less: loss allowance	2,754	2,473
	<u>21,198</u>	<u>17,656</u>

All of other trade and other receivables are expected to be recovered or recognised as expense within one year.

15. CASH AT BANK AND ON HAND

	At 30 September 2023 RMB'000	At 31 March 2023 RMB'000
Total cash at bank and on hand	<u>20,743</u>	<u>55,517</u>
Cash and cash equivalents	<u>20,743</u>	<u>55,517</u>

The Group's operations in Chinese Mainland are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of Chinese Mainland is subject to the relevant rules and regulations of the foreign exchange controls promulgated by the PRC government.

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB11,455,000 (31 March 2023: RMB47,253,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

16. TRADE PAYABLES

	At 30 September 2023 <i>RMB'000</i>	At 31 March 2023 <i>RMB'000</i>
Trade payables to related parties	3,975	4,066
Trade payables to third parties	<u>116,707</u>	<u>132,616</u>
	<u>120,682</u>	<u>136,682</u>

All of the trade payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	At 30 September 2023 <i>RMB'000</i>	At 31 March 2023 <i>RMB'000</i>
Less than 1 year	80,293	114,885
1 to 2 years	26,580	11,102
2 to 3 years	5,609	9,333
Over 3 years	<u>8,200</u>	<u>1,362</u>
	<u>120,682</u>	<u>136,682</u>

17. OTHER PAYABLES AND ACCRUALS

	At 30 September 2023 <i>RMB'000</i>	At 31 March 2023 <i>RMB'000</i>
Amounts due to related parties	9,559	9,559
Amounts due to a third party	599	599
Other taxes payables	25,163	23,311
Payables for staff related cost	13,095	15,093
Lease liability (within 1 year)	988	1,229
Others	<u>7,163</u>	<u>8,304</u>
	<u>56,567</u>	<u>58,095</u>

18. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period
- (ii) The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2023.

(b) Share capital

Movements in the Company's issued share capital are as follows:

	Number of shares	Nominal value of ordinary shares <i>RMB'000</i>
Ordinary shares, issued and fully paid:		
At 31 March 2022, 31 March 2023 and 30 September 2023	<u>503,927,177</u>	<u>4,130</u>

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 455 as at 30 September 2023 (31 March 2023: approximately 538). The Group's employee benefit expenses mainly included salaries, overtime payment and discretionary bonus, share options, other staff benefits and contributions to retirement schemes. During the Reporting Period, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB48,842,000 (six months ended 30 September 2022: approximately RMB48,593,000).

Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with such requirements. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all applicable laws and regulations in the PRC and Hong Kong in all material respects during the Reporting Period.

The Group also complies with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong for the disclosure of information and corporate governance in all material respects.

ENVIRONMENTAL POLICY

The Group recognises its responsibility to protect the environment from its business activities and continues to identify and manage environmental impacts arising from its operational activities in order to minimise these impacts if possible.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group. The Group strictly complies with the labour laws and regulations in the PRC and Hong Kong and regularly reviews the existing staff benefits for improvement.

The Group provides good quality services to customers and maintains a good relationship with them. The Group is able to establish trust and maintain long-standing business relationship with its major customers.

The Group also maintains effective communication and develops long term and stable relationships with suppliers. During the Reporting Period, there was no material dispute or disagreement between the Group and its suppliers.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and practices that emphasise a quality Board, effective risk management and internal controls systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company has complied with all code provisions of the CG Code throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as code of conduct regarding securities transactions by Directors. In response to specific enquiries made, all Directors confirmed that they have complied with the Model Code in their securities transactions during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 September 2022: nil).

CORPORATE STRATEGY

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for shareholders. Please refer to the paragraph headed “Management Discussion and Analysis” above for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objectives of the Group.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented in such forward-looking statements and opinions. The Group, the Directors, employees or agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Group for the Reporting Period have been reviewed by the auditor of the Company, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor will be included in the interim report (the “**Interim Report**”) to shareholders. The unaudited condensed consolidated interim financial statements of the Group for the Reporting Period has also been reviewed by the audit committee of the Company.

EVENTS AFTER REPORTING PERIOD

From 1 October 2023 to the date of this announcement, no significant events occurred after the Reporting Period that may affect the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at <http://www.oneforce.com.hk> and the Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The Interim Report of the Company will be despatched to shareholders in due course and will also be available at the websites above at the same time.

APPRECIATION

The Board would like to present its great appreciation to the management and employees of the Group who have contributed to the development and growth of the Group and are working towards achieving the Group's visions. Heartfelt gratitude is also expressed to all of the business partners, customers, suppliers of the Group and the shareholders of the Company. With their kind support and trust, the Board is confident that it will lead the Group to another milestone.

By order of the Board
OneForce Holdings Limited
WANG Dong Bin
Chairman

Beijing, China, 28 November 2023

As at the date of this announcement, the Board comprises Mr. Wang Dongbin, Mr. Wu Zhanjiang, Mr. Wu Hongyuan and Mr. Li Kangying as the executive Directors, and Mr. Ng Kong Fat, Mr. Han Bin and Mr. Wang Peng as the independent non-executive Directors.