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ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

企展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Enterprise Development Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	3(a)	40,825	70,839
Cost of sales		(24,313)	(53,261)
Gross profit		16,512	17,578
Other income and gains	4	5,073	862
Distribution expenses		(16,710)	(19,486)
General and administrative expenses		(17,870)	(17,305)
Other operating expenses		(6)	(7)
Fair value (loss) gain on financial assets at fair value through profit or loss (“ FVPL ”)		(8,028)	3,696
Loss allowance on trade and other receivables, net		(7,056)	(975)
Impairment on intangible assets		(1,479)	(8,215)

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss from operation		(29,564)	(23,852)
Finance costs	<i>5(a)</i>	<u>(715)</u>	<u>(1,223)</u>
Loss before taxation	<i>5</i>	(30,279)	(25,075)
Income tax expense	<i>6</i>	<u>(455)</u>	<u>(247)</u>
Loss for the year		<u><u>(30,734)</u></u>	<u><u>(25,322)</u></u>
Attributable to:			
Equity shareholders of the Company		(23,820)	(16,833)
Non-controlling interests		<u>(6,914)</u>	<u>(8,489)</u>
Loss for the year		<u><u>(30,734)</u></u>	<u><u>(25,322)</u></u>
		<i>RMB</i>	<i>RMB</i>
Basic and diluted loss per share	<i>8</i>	<u><u>(0.024)</u></u>	<u><u>(0.026)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss for the year	<u>(30,734)</u>	<u>(25,322)</u>
Other comprehensive loss for the year (after tax)		
<i>Items that are or may be reclassified to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas operations	<u>(1,524)</u>	<u>(1,555)</u>
	<u>(1,524)</u>	<u>(1,555)</u>
Total comprehensive loss for the year	<u><u>(32,258)</u></u>	<u><u>(26,877)</u></u>
Attributable to:		
Equity shareholders of the Company	(25,330)	(18,349)
Non-controlling interests	<u>(6,928)</u>	<u>(8,528)</u>
Total comprehensive loss for the year	<u><u>(32,258)</u></u>	<u><u>(26,877)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		488	1,022
Intangible assets		1,854	1,169
Right-of-use assets		1,020	2,642
Goodwill		–	–
Deferred tax assets		–	346
		<hr/> 3,362	<hr/> 5,179
Current assets			
Inventories		–	937
Financial assets at FVPL	<i>9</i>	11,329	10,236
Contract assets		8,202	12,822
Trade and other receivables	<i>10</i>	73,047	61,429
Cash and cash equivalents		115,636	99,922
		<hr/> 208,214	<hr/> 185,346
Current liabilities			
Trade and other payables	<i>11</i>	9,958	10,104
Contract liabilities		6,775	6,801
Lease liabilities		771	1,637
Interest-bearing borrowings		10,057	9,818
Current taxation		3,175	3,293
		<hr/> 30,736	<hr/> 31,653
Net current assets		<hr/> 177,478	<hr/> 153,693
Total assets less current liabilities		<hr/> 180,840	<hr/> 158,872

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability			
Lease liabilities		—	771
NET ASSETS		180,840	158,101
Capital and reserves			
Share capital	12	114,835	64,905
Reserves		9,746	30,009
Total equity attributable to equity shareholders of the Company		124,581	94,914
Non-controlling interests		56,259	63,187
TOTAL EQUITY		180,840	158,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2021 but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to 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 IFRS 16	COVID-19-Related Rent Concessions
Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16: COVID-19-Related Rent Concessions

The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards.

These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of integrated business software solutions.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Software maintenance and other services	38,172	67,897
Sale of software license and other products	2,293	2,633
Others	360	309
	<u>40,825</u>	<u>70,839</u>

Disaggregation of revenue from contract with customers by major products and services and timing of revenue recognition is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers within the scope of IFRS 15</i>		
<i>Disaggregated by major products and services</i>		
Software maintenance and other services	38,172	67,897
Sale of software license and other products	2,293	2,633
Revenue from other sources		
Others	360	309
	<u>40,825</u>	<u>70,839</u>
Timing of revenue recognition		
At a point in time	2,293	2,633
Over time	38,532	68,206
	<u>40,825</u>	<u>70,839</u>

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c) to these consolidated financial statements.

(b) 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 the following one major reportable segment. No operating segments have been aggregated to form the following reportable segments.

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".

(i) Segment results, assets and liabilities

For the purposes 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 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 loss is "adjusted loss before taxation". Adjusted loss before taxation, the Group's losses 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 loss before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and 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 in both years.

Information regarding the Group's major reportable segment as provided to the Board for the purposes of resource allocation and assessment performance for the years ended 31 December 2021 and 2020 is set out below:

	Software Business		Others		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue						
Revenue from external customers	<u>40,465</u>	<u>70,530</u>	<u>360</u>	<u>309</u>	<u>40,825</u>	<u>70,839</u>
Reportable segment revenue	<u>40,465</u>	<u>70,530</u>	<u>360</u>	<u>309</u>	<u>40,825</u>	<u>70,839</u>
Reportable segment loss						
Adjusted loss before taxation	<u>(16,489)</u>	<u>(25,524)</u>	<u>(7,528)</u>	<u>7,832</u>	<u>(24,017)</u>	<u>(17,692)</u>
Fair value (loss) gain on						
financial assets at FVPL	-	-	(8,028)	3,696	(8,028)	3,696
Depreciation and amortisation	(1,813)	(3,467)	(136)	(115)	(1,949)	(3,582)
Gain on disposal of financial assets						
at FVPL	-	-	906	536	906	536
Gain on disposal of loan						
receivables	-	-	2,988	-	2,988	-
Impairment on intangible assets	(1,479)	(8,215)	-	-	(1,479)	(8,215)
Interest expenses	(630)	(840)	(3)	-	(633)	(840)
Interest income from bank deposits	13	17	-	-	13	17
(Loss allowance) Reversal of loss						
allowance on trade and other						
receivables	(7,183)	(6,182)	127	5,257	(7,056)	(925)
Write-down of inventories	(937)	-	-	-	(937)	-
Reportable segment assets	172,229	157,924	19,354	31,265	191,583	189,189
Additions to non-current segment						
assets during the year	2,293	3,223	-	-	2,293	3,223
Reportable segment liabilities	<u>23,876</u>	<u>25,776</u>	<u>14</u>	<u>-</u>	<u>23,890</u>	<u>25,776</u>

(ii) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>40,825</u>	<u>70,839</u>
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(24,017)	(17,692)
Unallocated head office and corporate expenses	<u>(6,262)</u>	<u>(7,383)</u>
Consolidated loss before taxation	<u>(30,279)</u>	<u>(25,075)</u>
Assets		
Reportable segment assets	191,583	189,189
Deferred tax assets	–	346
Unallocated head office and corporate assets	<u>19,993</u>	<u>990</u>
Consolidated total assets	<u>211,576</u>	<u>190,525</u>
Liabilities		
Reportable segment liabilities	23,890	25,776
Unallocated head office and corporate liabilities	<u>6,846</u>	<u>6,648</u>
Consolidated total liabilities	<u>30,736</u>	<u>32,424</u>

(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, right-of-use assets and goodwill (“**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.

	Revenue from external customers		Specified non-current assets	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	40,465	70,530	3,359	4,356
Hong Kong	<u>360</u>	<u>309</u>	<u>3</u>	<u>477</u>
	<u>40,825</u>	<u>70,839</u>	<u>3,362</u>	<u>4,833</u>

For the years ended 31 December 2021 and 2020, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. **OTHER INCOME AND GAINS**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Exchange gains, net	527	–
Gain on disposal of financial assets at FVPL	906	536
Gain on disposal of loan receivables	2,988	–
Others	<u>652</u>	<u>326</u>
	<u>5,073</u>	<u>862</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

(a) Finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on interest-bearing borrowings	637	1,112
Interest on lease liabilities	78	111
	<u>715</u>	<u>1,223</u>

(b) Staff costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	21,890	22,442
Contributions to defined contribution retirement schemes	2,562	1,880
Share-based payment in respect of share options	–	2,760
	<u>24,452</u>	<u>27,082</u>

(c) Other items

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditor's remuneration	538	625
Amortisation of intangible assets	–	1,078
Depreciation of property, plant and equipment	327	348
Depreciation of right-of-use assets	1,622	2,156
Leases expenses of other premises under short term leases	771	889
Loss (Gain) on disposal of property, plant and equipment	164	(96)
(Reversal of loss allowance) Loss allowance on contract assets	<u>(360)</u>	<u>455</u>

6. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – the PRC		
Provision for the year	335	341
Over provision in respect of prior year	<u>(226)</u>	<u>(94)</u>
	109	247
Deferred tax		
Origination and reversal of temporary differences	<u>346</u>	<u>–</u>
	<u><u>455</u></u>	<u><u>247</u></u>

7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2021 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB23,820,000 (2020: approximately RMB16,833,000) and the weighted average of 999,138,188 (2020 (restated): 657,520,758) ordinary shares in issue during the year.

The comparative amount of the basic loss per share for 2020 has been adjusted to reflect the impact of the bonus element of the rights issue effected subsequent to 31 December 2020.

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

9. FINANCIAL ASSETS AT FVPL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	4,971	10,236
Equity securities listed in the United States	<u>6,358</u>	<u>–</u>
	<u>11,329</u>	<u>10,236</u>

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 year ended 31 December 2021, a fair value loss on listed equity securities of RMB8,028,000 (2020: fair value gain of RMB3,696,000) was recognised in profit or loss.

10. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables, net of loss allowance	<i>(a)</i>	<u>23,139</u>	<u>18,868</u>
Loan receivables from third parties	<i>(b)</i>	14,245	25,103
Less: loss allowance of loan receivables		<u>(14,245)</u>	<u>(22,291)</u>
Loan receivables, net of loss allowance	<i>(c)-(d)</i>	<u>–</u>	<u>2,812</u>
Prepayments made to suppliers, net of impairment	<i>(e)</i>	27,633	32,057
Deposits and other receivables, net of loss allowance		<u>22,275</u>	<u>7,692</u>
		<u>49,908</u>	<u>39,749</u>
		<u>73,047</u>	<u>61,429</u>

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

Notes:

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	13,283	11,059
Over 1 month but less than 3 months	666	4,739
Over 3 months but less than 1 year	6,031	3,070
Over 1 year but less than 2 years	3,159	–
Over 2 years	–	–
	<hr/>	<hr/>
	<u>23,139</u>	<u>18,868</u>

- (b) At 31 December 2021, loan receivables of RMB14,245,000 were unsecured, carried at fixed interest rates of ranging from 7% to 12% per annum and overdue. All loan receivables were denominated in HK\$.

At 31 December 2020, (1) loan receivable of RMB2,812,000 was unsecured, carried at fixed interest rate of 10% per annum and within the respective maturity date; and (2) remaining loan receivables of RMB22,291,000 were unsecured, carried at fixed interest rates of ranging from 7% to 12% per annum and overdue. All loan receivables were denominated in HK\$.

- (c) The maturity profile of the loan receivables and net of allowance at the end of the reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable		
Within 1 month	-	2,812
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	2,812

- (d) As of the end of the reporting period, the ageing analysis of loan receivables (which are included in trade and other receivables), based on loan drawn down date and net of loss allowance, is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	-	2,812
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	2,812

- (e) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.

11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	4,116	3,808
Non-trade payables and accrued expenses	5,120	5,064
Other tax payables	722	1,232
	<u>9,958</u>	<u>10,104</u>

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

The credit period of trade payables is normally within 90 (2020: 90) days. As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Due within 1 month or on demand	3,701	480
Due after 1 month but within 3 months	–	3,118
Due after 3 months but within 6 months	18	200
Due after 6 months but within 1 year	16	10
Due after 1 year	381	–
	<u>4,116</u>	<u>3,808</u>

12. SHARE CAPITAL

	2021	Amount	2020	Amount
	Number of shares	<i>HK\$</i>	Number of shares	<i>HK\$</i>
Authorised:				
Ordinary shares of HK\$0.1 each	10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
Issued and fully paid:				
At 1 January	758,172,933	75,817,293	526,508,982	52,650,898
Issue of placing shares (<i>note (i)</i>)	–	–	105,301,796	10,530,180
Issue of placing shares (<i>note (ii)</i>)	–	–	126,362,155	12,636,215
Issue of rights shares (<i>note (iii)</i>)	375,681,838	37,568,184	–	–
Issue of placing shares (<i>note (iv)</i>)	226,770,954	22,677,096	–	–
At 31 December	<u>1,360,625,725</u>	<u>136,062,573</u>	<u>758,172,933</u>	<u>75,817,293</u>
		RMB equivalent		RMB equivalent
		<u>114,835,503</u>		<u>64,904,550</u>

Notes:

- (i) On 4 February 2020, the Company allotted and issued an aggregate of 105,301,796 shares at a placing price of HK\$0.249 per share to not less than six places for cash. The net proceeds of approximately RMB22,905,000 (equivalent to HK\$25,410,000) was received and approximately RMB1,352,000 (equivalent to HK\$1,500,000) was used for repayment of interest-bearing borrowings, approximately RMB8,032,000 (equivalent to HK\$8,910,000) was used for general working capital of the Group; approximately RMB13,521,000 (equivalent to HK\$15,000,000) was used as part of deposit payment for a development project. The closing market price of the Company's shares as at the issue date was HK\$0.34 per share.
- (ii) On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a placing price of HK\$0.168 per share to an independent third party for cash. The net proceeds of approximately RMB17,970,000 (equivalent to HK\$21,128,000) was received and approximately RMB7,764,000 (equivalent to HK\$9,128,000) was used for investment in listed securities; approximately RMB1,276,000 (equivalent to HK\$1,500,000) was used for general working capital of the Group; and approximately RMB8,930,000 (equivalent to HK\$10,500,000) was used for loan financing business. The closing market price of the Company's shares as at the issue date was HK\$0.185 per share.

- (iii) On 7 May 2021, the shareholders of the Company approved a rights issue on the basis of one rights share for every two shares held at a subscription price of HK\$0.12 per rights share. The rights issue became unconditional on 12 May 2021. 375,681,838 rights shares with the par value of HK\$0.1 each were allotted and issued on 20 May 2021.

The Company planned to apply the net proceeds of approximately RMB36,711,000 (equivalent to HK\$43,910,000) as to approximately (i) RMB3,340,000 (equivalent to HK\$4,000,000) for loan financing business and securities investments; (ii) RMB8,210,000 (equivalent to HK\$10,000,000) for the procurement for the Group's software business development; (iii) RMB25,161,000 (equivalent to HK\$29,910,000) for the Group's operating expenses, overheads and general working capital of the Group.

The net proceeds from the rights issue were used as (i) approximately RMB3,340,000 (equivalent to HK\$4,000,000) for loan financing business; (ii) approximately RMB3,730,000 (equivalent to HK\$4,540,000) for the procurement of software license and related services; and (iii) approximately RMB14,710,000 (equivalent to HK\$17,920,000) for the Group's operating expenses, overheads and general working capital, among which approximately RMB9,770,000 (equivalent to HK\$11,900,000) is for staff cost, approximately RMB610,000 (equivalent to HK\$740,000) is for rental payments, approximately RMB1,730,000 (equivalent to HK\$2,110,000) is for professional fee and the remaining RMB2,600,000 (equivalent to HK\$3,170,000) is for general administrative expenses. The remaining net proceeds of approximately RMB14,931,000 (equivalent to HK\$17,450,000) will be used according to the intended use.

- (iv) On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares at a placing price of HK\$0.1 per share to two independent third parties for cash. The net proceeds of approximately RMB18,286,000 (equivalent to HK\$22,370,000) was received. The Company intended to apply (i) approximately RMB12,774,000 (equivalent to HK\$15,640,000) for capital injection in Beijing Orient LegendMaker Software Development Co., Ltd. and (ii) approximately RMB5,512,000 (equivalent to HK\$6,730,000) for general working capital of the Group. The closing market price of the Company's shares as at the issue date was HK\$0.062 per share.

13. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in this announcement, a summary of events transacted after end of reporting period is set out below:

Proposed capital reorganisation

On 14 December 2021, the Board proposed to implement the capital reorganisation which comprises the following:

- (a) The share consolidation by which every twenty issued and unissued existing shares will be consolidated into one consolidated share of HK\$2.0;
- (b) The capital reduction by which: (a) any fractional consolidated share in the issued share capital of the Company arising from the share consolidation shall be cancelled; and (b) the par value of all the then issued consolidated shares shall be reduced from HK\$2.0 each to HK\$0.1 each by cancelling the paid-up capital of the Company to the extent of HK\$1.9 on each of the then consolidated shares in issue; and
- (c) The share subdivision of every unissued consolidated share of HK\$2.0 each in the authorised share capital of the Company into twenty adjusted shares of HK\$0.1 each.

Details of capital reorganisation is set out in the circular of the Company dated 3 January 2022.

The proposed capital reorganisation was passed by the shareholders of the Company at an extraordinary general meeting of the Company held on 26 January 2022.

The Grand Court of the Cayman Islands has granted on 22 March 2022 an order confirming the capital reduction, and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the capital reduction was filed on 24 March 2022. All conditions have been fulfilled and the capital reorganisation become effective on 25 March 2022.

Following the capital reorganisation becoming effective, the Company has 68,031,274 adjusted shares in issue and a credit of approximately HK\$129 million arose as a result of following the completion of the capital reorganisation. The credit arising from capital reorganisation will be applied towards offsetting part of the balance of the accumulated losses of the Company up to the effective date of the Capital Reorganisation on 25 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB40,825,000 (2020: RMB70,839,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB38,172,000 (2020: RMB67,897,000); (ii) sale of software license and other products amounted to approximately RMB2,293,000 (2020: RMB2,633,000); and (iii) revenue from other sources amounted to approximately RMB360,000 (2020: RMB309,000). The decrease in overall revenue for the software business was due to the outbreak of coronavirus disease 2019 (“**COVID-19**”). The COVID-19 has brought a negative impact in overall market sentiment and the Group’s financial performance in the year 2021 was adversely affected. The COVID-19 has posed significant challenges to the Group’s business activities and has caused operational delays to some extent.

Gross Profit

For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB16,512,000 (2020: RMB17,578,000). The gross profit ratio for the software business of the Group during the year was approximately 41% while that of the last corresponding year was approximately 25%. The increase in gross profit ratio was mainly due to the increase in proportion for sale of self-developed products which have higher gross profit margin.

Distribution Expenses

For the year ended 31 December 2021, distribution expenses were approximately RMB16,710,000 (2020: RMB19,486,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2021, general and administrative expenses were approximately RMB17,870,000 (2020: RMB17,305,000). The increase in general and administrative expense was mainly attributable to the increase in legal and professional fee.

Impairment on Intangible Assets

For the year ended 31 December 2021, an impairment on intangible assets approximately RMB1,479,000 (2020: RMB8,215,000) was contributed by the software business. The software business has been adversely affected by the business environment in the PRC and was projected to generate lower revenue and profit than expected.

Finance Costs

For the year ended 31 December 2021, finance costs were approximately RMB715,000 (2020: RMB1,223,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term interest-bearing borrowings during the year.

Fair Value Loss or Gain of Financial Assets at Fair Value Through Profit or Loss

The Group invested in a financial instrument for short-term investments, included the equity securities listed in Hong Kong and the United States. During year ended 31 December 2021, the fair value loss on financial assets at fair value through profit or loss of approximately RMB8,028,000 was recognised in profit or loss (2020: fair value gain of RMB3,696,000).

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2021 of approximately RMB30,734,000 (2020: RMB25,322,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2021, the Group maintained cash and cash equivalents amounted to approximately RMB115,636,000 (2020: RMB99,922,000). As at 31 December 2021, the Group's current ratio was approximately 6.77 times (2020: 5.86 times); and the Group's net gearing ratio as at 31 December 2021 was not applicable (2020: 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 31 December 2021 and 2020, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

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 of the Company (“**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 year.

On 19 February 2021, the Company proposed to raise up to approximately HK\$47,407,000 before expenses, by way of the rights issue (the “**Rights Issue**”), by issuing up to 395,061,466 rights shares (the “**Right Share(s)**”) (assuming all outstanding share options are exercised in full on or before 24 March 2021 (the “**Record Date**”), but otherwise no other shares of the Company (the “**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\$0.12 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date.

On 19 February 2021, the Company entered into an underwriting agreement (the “**Underwriting Agreement**”) with VC Brokerage Limited (the “**Underwriter**”) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, the underwritten shares up to 395,061,466 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

On 18 May 2021, the Board announced that all conditions set out in the Underwriting Agreement had been fulfilled and the Underwriting Agreement and the Rights Issue became unconditional at 4:00 p.m. on Wednesday, 12 May 2021.

As a result of the under-subscription of the Rights Issue and in accordance with the terms of the Underwriting Agreement, the Underwriter has procured subscribers to subscribe for 240,364,000 Rights Shares, representing approximately 63.41% of the total number of 379,086,466 Rights Shares available for subscription under the Rights Issue.

After the subscribers' subscription procured by the Underwriter, the Rights Issue was finally under-subscribed by 3,404,628 Rights Shares, representing approximately 0.90% of the total number of 379,086,466 Rights Shares available for subscription under the Rights Issue. Therefore, the size of the Rights Issue was reduced to 375,681,838 Rights Shares.

The gross proceeds from the Rights Issue are approximately HK\$45.08 million and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are approximately HK\$43.91 million. The Company originally planned to apply such net proceeds as to approximately (i) 30% for the potential acquisitions, expansion and equipment purchase of the Group's software business in the future; (ii) 40% for loan financing business and securities investments business; and (iii) the remaining 30% for the Group's operating expenses and overheads, among which approximately 60% is for staff cost (including salary and allowance), approximately 4% is for rental payments, approximately 20% is for professional fees (including legal fee, financial advisory fee, accounting and auditing fee) and the remaining 16% is for the general administrative and operating expenses (including utilities and insurance, statutory registration fee, listing fee and travelling expenses etc.). The Board resolved on 1 November 2021 to apply (i) 30% of the proceeds originally planned for potential acquisitions, expansion and equipment purchase of the Group's software business in the future, being approximately HK\$13.17 million and (ii) the remaining proceeds of HK\$13.56 million originally planned for loan financing business and securities investments business in (a) procurement for the Group's software business development as to HK\$10 million in order to fully utilize the expansion capacity of the software business so as to strive for better business performance of the Group, and (b) the remaining HK\$16.73 million for general working capital of the Group.

The net proceeds from the Rights Issue were used as (i) approximately RMB3.34 million (equivalent to HK\$4 million) for loan financing business; (ii) approximately RMB3.73 million (equivalent to HK\$4.54 million) for the procurement of software license and related services; and (iii) approximately RMB14.71 million (equivalent to HK\$17.92 million) for the Group's operating expenses, overheads and general working capital, among which approximately RMB9.77 million (equivalent to HK\$11.90 million) is for staff cost, approximately RMB0.61 million (equivalent to HK\$0.74 million) is for rental payments, approximately RMB1.73 million (equivalent to HK\$2.11 million) is for professional fee and the remaining approximately RMB2.60 million (equivalent to HK\$3.17 million) is for general administrative expenses. The remaining net proceeds of approximately RMB14.93 million (equivalent to HK\$17.45 million) will be used according to the intended use.

On 9 November 2021, the Company entered into the subscription agreements (the “**Subscription Agreements**”) with De Gennes Limited (鴻贊有限公司) and Ms. Sun Ningning (the “**Subscribers**”) pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 226,770,954 new Shares (the “**Subscription Share(s)**”), at the subscription price of HK\$0.07 per Subscription Share (the “**Subscription Price**”) (the “**Subscriptions**”).

On 7 December 2021, the Company entered into the supplemental agreements to the Subscription Agreements (the “**Supplemental Agreements**”) with each of the Subscribers, pursuant to which the Company and each of the Subscribers have agreed to amend the Subscription Agreements to change the Subscription Price per Subscription Share from HK\$0.07 to HK\$0.10 (the “**New Subscription Price**”).

On 29 December 2021, all the conditions of the Subscription Agreements (as supplemented by the Supplemental Agreements) have been fulfilled and the Subscriptions were completed. An aggregate of 226,770,954 Subscription Shares were allotted and issued to the Subscribers, of which, 192,755,311 Subscription Shares were allotted and issued to De Gennes Limited (鴻贊有限公司) and 34,015,643 Subscription Shares were allotted and issued to Ms. Sun Ningning respectively, at the New Subscription Price of HK\$0.10 per Subscription Share. 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\$15.64 million for capital injection in Beijing Orient LegendMaker Software Development Co., Ltd.* (北京東方龍馬軟件發展有限公司) as detailed in the announcements of the Company dated 9 November 2021 and 29 November 2021 and (ii) approximately HK\$6.73 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. The net proceeds will be used in the following year according to the intended use.

On 14 December 2021, the Board proposed to implement the capital reorganisation (the “**Capital Reorganisation**”) which comprises the following: (i) the share consolidation (the “**Share Consolidation**”) by which every twenty (20) issued and unissued existing Shares before the Capital Reorganisation becoming effective will be consolidated into one (1) consolidated Share of HK\$2.0 (the “**Consolidation Share(s)**”); (ii) the capital reduction by which: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the par value of all the then issued Consolidated Shares shall be reduced from HK\$2.0 each to HK\$0.1 each by cancelling the paid-up capital of the Company to the extent of HK\$1.9 on each of the then Consolidated Shares in issue (the “**Capital Reduction**”); and (iii) the share subdivision (the “**Share Subdivision**”) of every unissued Consolidated Share of HK\$2.0 each in the authorised share capital of the Company into twenty (20) adjusted Shares of HK\$0.1 each (the “**Adjusted Shares**”).

The Capital Reorganisation has been approved by the Shareholders at the extraordinary general meeting held on 26 January 2022. The implementation of the Capital Reorganisation is conditional upon, among others, (i) an order being made by the Grand Court of the Cayman Islands (the “**Grand Court**”) confirming the Capital Reduction; and (ii) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction.

Subsequent Events

On 23 February 2022, the Grand Court hearing date of the Company's petition of the Capital Reduction has been fixed on Tuesday, 22 March 2022 at 10:00 a.m. (Cayman Islands time) and the Grand Court has granted an order confirming the Capital Reduction at the hearing and the Capital Reorganisation become effective on Friday, 25 March 2022 (Hong Kong time).

During the period from 5 January 2022 to 8 March 2022, the Group, through Enterprise Development (Hong Kong) Holdings Limited ("**Enterprise Development (Hong Kong)**"), has acquired on the market of an aggregate of 3,500 shares of Advanced Micro Devices, Inc. ("**AMD**") (a company incorporated in the USA and the common stock of which are listed on NASDAQ ("**AMD Share(s)**") at the price between US\$105.07 to US\$143.05 per AMD Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each AMD Share was approximately US\$127.63 and the total purchase price was approximately US\$446,720 (equivalent to approximately HK\$3,492,903.68) (exclusive of transaction costs). The total purchase price is the market price of the AMD Shares paid in cash from the internal resources of the Company.

During the period from 17 December 2021 to 8 March 2022, the Group, through Enterprise Development (Hong Kong), has acquired on the market of an aggregate of 2,700 shares of Apple Inc. ("**Apple Share(s)**") at the price between US\$155.82 to US\$178.68 per Apple Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Apple Share was approximately US\$165.62 and the total purchase price was approximately US\$447,162 (equivalent to approximately HK\$3,496,359.68) (exclusive of transaction costs). The total purchase price is the market price of Apple Shares paid in cash from the internal resources of the Company.

During the period from 2 November 2021 to 24 February 2022, the Group, through Enterprise Development (Hong Kong) has acquired on the market of an aggregate of 600 shares of Tesla Inc. (“**Tesla Share(s)**”) at the price between US\$738.49 to US\$1,170.00 per Tesla Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Tesla Share was approximately US\$901.48 and the total purchase price was approximately US\$540,885 (equivalent to approximately HK\$4,222,905.55) (exclusive of transaction costs). The total purchase price is the market price of the Tesla Shares paid in cash from the internal resources of the Company.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2021 (2020: Nil).

Material Acquisition and Disposal of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2021.

Employees and Remuneration Policies

As at 31 December 2021, the Group employed 96 (2020: 108) full time employees. 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, unemployment 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 mandatory provident fund schemes for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liability (2020: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB40,825,000 for the year ended 31 December 2021 (2020: RMB70,839,000), representing a decrease of approximately 42%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2020.

The revenue of the software business amounted to approximately RMB40,465,000 for the year ended 31 December 2021 (2020: RMB70,530,000), representing a decrease of approximately 43%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants. In addition, the decrease was also due to the outbreak of COVID-19 and the ongoing epidemic which led to an overall erosion in market sentiment.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

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.

As impacted by the spreading of COVID-19, the economic conditions of Mainland China and the world slowed down sharply. Mainland China and many other countries implemented lockdowns and social distancing measures for protecting the society in response to the outbreak of COVID-19 pandemic, which caused a plenitude of challenges and uncertainties in the global economic environment. To lower the negative impact from the outbreak of COVID-19, the Group's management has closely monitored the market conditions in the PRC and has put in place certain contingency measures such as remote working of employees. However, the impact of COVID-19 on economic activities was far beyond expectation and resulted in a decrease of 42% in the consolidated revenue of the Group for 2021 as compared with the same period of 2020. Despite the decrease in revenue, the Group is looking to improve its profit margin in the software maintenance services. Therefore, it is repositioning its products in terms of lowering the cost of sales.

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 the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 1 June 2022 (“**2022 AGM**”), the register of members of the Company will be closed from Thursday, 26 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 25 May 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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 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 year ended 31 December 2021.

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 year ended 31 December 2021, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1 and A.5.1, which are explained below.

Under CG Code provision A.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. Mr. Guan Huanfei (“**Mr. Guan**”), a former executive Director who resigned on 22 May 2021, was the chairman of the Company. Following the resignation of Mr. Guan Huanfei, the roles and functions of chairman and chief executive officer have been performed by the Board jointly.

CG Code provision A.5.1 stipulated that the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Liu Jian, a former independent non-executive Director who resigned on 25 March 2021, as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and Mr. Guan as a member of the Nomination Committee with effect from 22 May 2021, the composition of the Nomination Committee was also not in compliance with the code provision A.5.1 of the CG Code, until the Company appointed Ms. Li Zhuoyang and Mr. Chin Hon Siang as member of the Nomination Committee on 24 May 2021 and 26 May 2021 respectively.

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 year ended 31 December 2021.

SCOPE OF WORK OF BOFA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BOFA CPA Limited ("**BOFA**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by BOFA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BOFA on the preliminary announcement.

AUDIT COMMITTEE

The Company established the audit committee of the Company (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, Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises one executive Director, namely Ms. Li Zhuoyang, and three independent non-executive Directors, namely Mr. Cai Jinliang, Mr. Chin Hon Siang and Mr. Chen Kwok Wang.