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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)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “Board”) of directors (the “Directors”) of Enterprise Development Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021. The unaudited interim results has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Revenue | 4 | 24,852 | 20,739 |
| Cost of sales | | <u>(13,820)</u> | <u>(13,632)</u> |
| Gross profit | | 11,032 | 7,107 |
| Other revenue | | 135 | 120 |
| Other gains, net | | 39 | 2,925 |
| Distribution expenses | | (7,130) | (8,954) |
| General and administrative expenses | | (9,026) | (9,937) |
| Fair value loss on financial assets at fair value through profit or loss (“FVPL”) | | <u>(7,829)</u> | <u>(5,896)</u> |
| Loss from operation | | (12,779) | (14,635) |
| Finance costs | 5(a) | <u>(395)</u> | <u>(91)</u> |
| Loss before taxation | 5 | (13,174) | (14,726) |
| Income tax (expense) credit | 6 | <u>(114)</u> | <u>227</u> |
| Loss for the period | | <u>(13,288)</u> | <u>(14,499)</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | (12,892) | (11,974) |
| Non-controlling interests | | <u>(396)</u> | <u>(2,525)</u> |
| Loss for the period | | <u>(13,288)</u> | <u>(14,499)</u> |
| | | RMB | RMB |
| Basic and diluted loss per share | 7 | <u>(0.190)</u> | <u>(0.279)</u> |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | Six months ended 30 June | |
|--|---------------------------------|------------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Loss for the period | (13,288) | (14,499) |
| Other comprehensive income (loss) for the period | | |
| <i>Items that are or may be reclassified to profit or loss:</i> | | |
| Exchange difference on translation of financial statements of overseas operations | <u>1,003</u> | <u>(872)</u> |
| | <u>1,003</u> | <u>(872)</u> |
| Total comprehensive loss for the period | <u>(12,285)</u> | <u>(15,371)</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (11,918) | (12,806) |
| Non-controlling interests | <u>(367)</u> | <u>(2,565)</u> |
| Total comprehensive loss for the period | <u>(12,285)</u> | <u>(15,371)</u> |

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | | 30 June | 31 December |
|--|-------------|-----------------------|----------------|
| | | 2022 | 2021 |
| | | (Unaudited) | (Audited) |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Non-current assets | | | |
| Property, plant and equipment | | 620 | 488 |
| Intangible assets | | 2,480 | 1,854 |
| Right-of-use assets | | 1,873 | 1,020 |
| | | <u>4,973</u> | <u>3,362</u> |
| Current assets | | | |
| Financial assets at FVPL | <i>8</i> | 15,290 | 11,329 |
| Contract assets | | 14,000 | 8,202 |
| Trade and other receivables | <i>9</i> | 95,365 | 73,047 |
| Cash and cash equivalents | | 73,222 | 115,636 |
| | | <u>197,877</u> | <u>208,214</u> |
| Current liabilities | | | |
| Trade and other payables | <i>10</i> | 14,959 | 9,958 |
| Contract liabilities | | 1,039 | 6,775 |
| Lease liabilities | | 555 | 771 |
| Interest-bearing borrowings | <i>11</i> | 13,820 | 10,057 |
| Current taxation | | 3,289 | 3,175 |
| | | <u>33,662</u> | <u>30,736</u> |
| Net current assets | | <u>164,215</u> | <u>177,478</u> |
| Total assets less current liabilities | | <u>169,188</u> | <u>180,840</u> |

| | | 30 June | 31 December |
|--|-------------|-----------------------|----------------|
| | | 2022 | 2021 |
| | | (Unaudited) | (Audited) |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Non-current liability | | | |
| Lease liabilities | | <u>1,062</u> | <u>–</u> |
| NET ASSETS | | <u>168,126</u> | <u>180,840</u> |
| Capital and reserves | | | |
| Share capital | <i>12</i> | 5,742 | 114,835 |
| Reserves | | <u>106,492</u> | <u>9,746</u> |
| Total equity attributable to equity shareholders of the Company | | 112,234 | 124,581 |
| Non-controlling interests | | <u>55,892</u> | <u>56,259</u> |
| TOTAL EQUITY | | <u>168,126</u> | <u>180,840</u> |

NOTES TO THE UNAUDITED INTERIM RESULTS

Six months ended 30 June 2022

1. BASIS OF PREPARATION

This unaudited interim result has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “IASB”) and were authorised for issue on 31 August 2022.

The unaudited interim result has been prepared in accordance with the same accounting policies adopted in the 2021 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual consolidated financial statements. Details of these changes in accounting policies are set out in note 2.

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

This unaudited interim result contains unaudited consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual consolidated financial statements. The unaudited interim result and notes thereon do not include all the information required for full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

The financial information relating to the financial year ended 31 December 2021 that is included in this unaudited interim result as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Consolidated financial statements for the year ended 31 December 2021 are available from the Company’s principal place of business in Hong Kong.

2. CHANGES IN ACCOUNTING POLICIES

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

| | |
|----------------------|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018 – 2020 |

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

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

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented one major reportable segment during the six months ended 30 June 2022 and 2021.

| | |
|--------------------|---|
| 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".

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment loss is “adjusted loss before taxation”. Adjusted loss before taxation is 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 interest-bearing borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2022 and 2021.

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

| | Unaudited | |
|--|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | |
| Reportable segment revenue | <u>24,852</u> | <u>20,739</u> |
| Loss before taxation | | |
| Reportable segment loss derived from the Group's external customers | <u>(10,655)</u> | <u>(10,824)</u> |
| Unallocated head office and corporate expenses | <u>(2,519)</u> | <u>(3,902)</u> |
| Consolidated loss before taxation | <u>(13,174)</u> | <u>(14,726)</u> |
| | 30 June | 31 December |
| | 2022 | 2021 |
| | (Unaudited) | (Audited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Assets | | |
| Reportable segment assets | <u>193,791</u> | <u>191,583</u> |
| Unallocated head office and corporate assets | <u>9,059</u> | <u>19,993</u> |
| Consolidated total assets | <u>202,850</u> | <u>211,576</u> |
| Liabilities | | |
| Reportable segment liabilities | <u>27,855</u> | <u>23,890</u> |
| Unallocated head office and corporate liabilities | <u>6,869</u> | <u>6,846</u> |
| Consolidated total liabilities | <u>34,724</u> | <u>30,736</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 and right-of-use assets ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided, or the goods delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and right-of-use assets.

| | Revenue from external customers | | Specified non-current assets | |
|-----------|--|--------------------|-------------------------------------|--------------------|
| | Six months ended 30 June | | 30 June | 31 December |
| | 2022 | 2021 | 2022 | 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| The PRC | 24,852 | 20,560 | 4,973 | 3,359 |
| Hong Kong | – | 179 | – | 3 |
| | 24,852 | 20,739 | 4,973 | 3,362 |

4. REVENUE

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

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Software maintenance and other services | 15,513 | 14,279 |
| Sales of software products and other products | 9,339 | 6,281 |
| Others | – | 179 |
| | 24,852 | 20,739 |

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging (crediting):

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| (a) Finance costs | | |
| Interest expenses on interest-bearing borrowings wholly repayable within five years | 380 | 42 |
| Interest expenses on lease liabilities | 15 | 49 |
| | <u>395</u> | <u>91</u> |
| (b) Staff costs | | |
| Salaries, wages and other benefits | 9,700 | 11,924 |
| Contributions to defined contribution retirement schemes | 1,151 | 1,243 |
| | <u>10,851</u> | <u>13,167</u> |
| (c) Other items | | |
| Amortisation on intangible assets | 108 | – |
| Depreciation on property, plant and equipment | 97 | 198 |
| Depreciation on right-of-use assets | 809 | 1,353 |
| Gain on disposal of property, plant and equipment, net | 208 | – |
| Leases expenses under short-term leases | 462 | 511 |
| Loss allowance on other receivables | 864 | 64 |
| | <u>864</u> | <u>64</u> |

6. INCOME TAX (EXPENSE) CREDIT

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax | | |
| PRC Enterprises Income Tax | | |
| (Under) over provision in respect of prior period | <u>(114)</u> | <u>227</u> |

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

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

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the six months ended 30 June 2022 and 2021 as it was awarded high-technology status by the tax authority.

No provision for Hong Kong Profits Tax and the PRC income tax have been made as the Group does not have assessable profits or incurred a loss for taxation purposes for the six months ended 30 June 2022 and 2021.

These tax rates were used to calculate the Group’s deferred tax assets and liabilities as at 30 June 2022 and 2021.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2022 is based on the loss attributable to equity shareholders of the Company of approximately RMB12,892,000 (six months ended 30 June 2021: RMB11,974,000) and the weighted average of 68,031,274 (six months ended 30 June 2021 (restated): 42,984,149) ordinary shares in issue during the interim period.

The comparative amount of the basic loss per share for 2021 has been adjusted to reflect the impact of the capital reorganisation effected subsequent to 30 June 2021.

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

8. FINANCIAL ASSETS AT FVPL

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|---|---|
| Mandatorily measured at FVPL | | |
| Equity securities listed in Hong Kong | 3,774 | 4,971 |
| Equity securities listed in the United States | <u>11,516</u> | <u>6,358</u> |
| | <u>15,290</u> | <u>11,329</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 six months ended 30 June 2022, a fair value loss on listed equity securities of RMB7,829,000 (six months ended 30 June 2021: RMB5,896,000) was recognised in profit or loss.

9. TRADE AND OTHER RECEIVABLES

| | <i>Note</i> | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------------|---|---|
| Trade receivables, net of loss allowance | <i>(a)</i> | <u>22,347</u> | <u>23,139</u> |
| Loan receivables from third parties | <i>(b)</i> | 14,764 | 14,245 |
| Less: loss allowance on loan receivables | <i>(c)</i> | <u>(14,764)</u> | <u>(14,245)</u> |
| Loan receivables, net of loss allowance | | <u>–</u> | <u>–</u> |
| Prepayments made to suppliers, net of impairment | | 22,498 | 27,633 |
| Deposits and other receivables, net of loss allowance | | <u>50,520</u> | <u>22,275</u> |
| | | <u>73,018</u> | <u>49,908</u> |
| | | <u>95,365</u> | <u>73,047</u> |

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

Note:

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

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|-------------------------------------|---|---|
| Within 1 month | 2,997 | 13,283 |
| Over 1 month but less than 3 months | 5,839 | 666 |
| Over 3 months but less than 1 year | 10,846 | 6,031 |
| Over 1 year but less than 2 years | 2,583 | 3,159 |
| Over 2 years | 82 | – |
| | <u>22,347</u> | <u>23,139</u> |

- (b) As at 30 June 2022, (i) loan receivables of approximately RMB14,764,000 (31 December 2021: RMB14,245,000) were unsecured, carried at fixed interest rates of ranging from 7% to 12% per annum and overdue; The loan receivables were denominated in HK\$.
- (c) During the six months ended 30 June 2022, no increase nor decrease in accumulated loss allowances on loan receivables recognised in profit or loss (six months ended 30 June 2021: a fully impaired loan receivable of RMB7,760,000 was disposed to an independent third party at a consideration of RMB2,992,000, resulting in a gain on disposal of RMB2,992,000 was recognised in profit or loss).

10. TRADE AND OTHER PAYABLES

| | | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------------|---|---|
| | <i>Note</i> | | |
| Trade payables | <i>(a)</i> | 3,379 | 4,116 |
| Non-trade payables and accrued expenses | | 9,985 | 5,120 |
| Other tax payables | | 1,595 | 722 |
| | | 14,959 | 9,958 |

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

Note:

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

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|-----------------------------------|---|---|
| Within 1 month or on demand | 1,535 | 3,701 |
| Over 1 month but within 3 months | 1,742 | – |
| Over 3 months but within 6 months | 24 | 18 |
| Over 6 months but within 1 year | 18 | 16 |
| Over 1 year | 60 | 381 |
| | 3,379 | 4,116 |

11. INTEREST-BEARING BORROWINGS

| | | 30 June | 31 December |
|--|--------------|-----------------------|-----------------------|
| | | 2022 | 2021 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Loan from a bank, unsecured and unguaranteed | <i>(a)</i> | 3,000 | – |
| Loan from a third party, unsecured and unguaranteed | <i>(b)</i> | 4,269 | 4,086 |
| Loan from a former fellow subsidiary, unsecured and unguaranteed | <i>(c)</i> | 6,551 | 5,971 |
| | | 13,820 | 10,057 |

Note:

- (a) Loan from a bank, unsecured and unguaranteed

As at 30 June 2022, the loan from a third party is unsecured, carried interest rate of People's Bank of China one-year loan prime rate plus 35 basis points (31 December 2021: Nil) per annum and is repayable within one year.

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

As at 30 June 2022, the loan from a third party is unsecured, carried interest rate of 2% (31 December 2021: 2%) per annum and is repayable within one year.

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

As at 30 June 2022, the loan from a former fellow subsidiary is unsecured, carried interest rate of 10% (31 December 2021: 10%) per annum and overdue.

12. SHARE CAPITAL

| | 30 June 2022 (Unaudited) | | 31 December 2021 (Audited) | |
|--|--------------------------|----------------------|----------------------------|----------------------|
| | <i>No. of shares</i> | <i>HK\$</i> | <i>No. of shares</i> | <i>HK\$</i> |
| Authorised: | | | | |
| At beginning of period/year and at end of the period/year | | | | |
| Ordinary shares of HK\$0.1 each | <u>10,000,000,000</u> | <u>1,000,000,000</u> | <u>10,000,000,000</u> | <u>1,000,000,000</u> |
| Issued and fully paid: | | | | |
| At beginning of period/year | | | | |
| Ordinary shares of HK\$0.1 each | 1,360,625,725 | 136,062,573 | 758,172,933 | 75,817,293 |
| Capital reorganisation (<i>note</i>) | (1,292,594,451) | (129,259,446) | – | – |
| Issue of rights shares | – | – | 375,681,838 | 37,568,184 |
| Issue of placing shares | – | – | 226,770,954 | 22,677,096 |
| | <u>–</u> | <u>–</u> | <u>226,770,954</u> | <u>22,677,096</u> |
| At end of the period/year | | | | |
| Ordinary shares of HK\$0.1 each | <u>68,031,274</u> | <u>6,803,127</u> | <u>1,360,625,725</u> | <u>136,062,573</u> |
| | | <i>RMB</i> | | <i>RMB</i> |
| | | <i>equivalent</i> | | <i>equivalent</i> |
| | | <u>5,741,774</u> | | <u>114,835,503</u> |

Note:

On 26 January 2022, a special resolution was passed on capital reorganisation, pursuant to which, every 20 issued and unissued existing ordinary shares with a par value of HK\$0.1 each in the share capital of the Company to be consolidated into 1 consolidated share with a par value of HK\$2.0 each and cancellation of any fractional consolidated shares arising therefrom; a capital reduction in the issued consolidated shares to the extent of HK\$0.19 each and a share subdivision of each authorised but unissued consolidated share of HK\$2.0 each into 20 adjusted Shares of HK\$0.1 each.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB24,852,000 (six months ended 30 June 2021: RMB20,739,000), of which revenue from (i) software maintenance and other services amounted to approximately RMB15,513,000 (six months ended 30 June 2021: RMB14,279,000); and (ii) sales of software products and other products amounted to approximately RMB9,339,000 (six months ended 30 June 2021: RMB6,281,000). The increase in overall revenue for the software business rose 19.8% year on year to RMB24,852,000, driven largely by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which is in alignment with localisation policy for the database software business.

Gross Profit

For the six months ended 30 June 2022, the Group recorded a gross profit of approximately RMB11,032,000 (six months ended 30 June 2021: RMB7,107,000). The gross profit ratio for the software business of the Group during the period was approximately 44% while that of the corresponding period in 2021 was approximately 34%. The increase in gross profit ratio was mainly due to the increase in proportion for self-developed software solution services which have higher gross profit margin.

Finance Costs

For the six months ended 30 June 2022, finance costs was approximately RMB395,000 (six months ended 30 June 2021: RMB91,000). The increase in finance costs was due to the increase in interest expenses on interest-bearing borrowings.

Distribution Expenses

For the six months ended 30 June 2022, distribution expenses were approximately RMB7,130,000 (six months ended 30 June 2021: RMB8,954,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the PRC during the period.

General and Administrative Expenses

For the six months ended 30 June 2022, the general and administrative expenses of the Group were approximately RMB9,026,000 (six months ended 30 June 2021: RMB9,937,000). The decrease in general and administrative expenses was attributable to the decrease in staff costs and transactions cost on trading of listed equity securities.

Change in Fair Value of Financial Assets at Fair Value Through Profit or Loss

The Group invested in various financial instruments for short-term investments, including the equity securities listed in Hong Kong and the United States. During the six months ended 30 June 2022, a fair value loss on financial assets at fair value through profit or loss of approximately RMB7,829,000 (six months ended 30 June 2021: RMB5,896,000) was recognised in profit or loss.

Loss for the Period

For the six months ended 30 June 2022, the Group recorded a loss for the period of approximately RMB13,288,000 (six months ended 30 June 2021: RMB14,499,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2022, the Group maintained cash and cash equivalents amounting to approximately RMB73,222,000 (31 December 2021: RMB115,636,000). As at 30 June 2022, the Group's current ratio was approximately 5.88 times (31 December 2021: 6.77 times); and the Group's net gearing ratio at 30 June 2022 and 31 December 2021 are not applicable since the Group had cash in excess of interest bearing borrowings.

Foreign Exchange

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

Pledge of Assets

As at 30 June 2022 and 31 December 2021, the Group had no pledge of other assets and bank deposits 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 through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including interest-bearing borrowings, and equity attributable to equity shareholders of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

On 7 May 2021, the shareholders of the Company approved a rights issue (the "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 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.

As at 30 June 2022, 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 RMB8,370,000 (equivalent to HK\$10,000,000) for the procurement of software license and related services; and (iii) approximately RMB24,920,000 (equivalent to HK\$29,810,000) for the Group's operating expenses, overheads and general working capital, among which approximately RMB16,400,000 (equivalent to HK\$19,610,000) is for staff cost, approximately RMB1,420,000 (equivalent to HK\$1,700,000) is for rental payments, approximately RMB3,100,000 (equivalent to HK\$3,710,000) is for professional fee and the remaining RMB4,000,000 (equivalent to HK\$4,790,000) is for general administrative expenses. The remaining net proceeds of approximately RMB81,000 (equivalent to HK\$100,000) will be used according to the intended use.

On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares at the subscription price of HK\$0.1 per share to two independent third parties for cash (the "Subscriptions"). The gross proceeds and net proceeds arising from the Subscriptions amounted to approximately HK\$22.67 million and HK\$22.37 million, respectively. The Company intended to apply (i) approximately HK\$11.64 million for capital injection in Beijing Orient LegendMaker Software Development Co., Ltd.* (北京東方龍馬軟件發展有限公司) ("Beijing Orient LegendMaker") as detailed in the announcements of the Company dated 9 November 2021, 29 November 2021 and 5 August 2022 and (ii) approximately HK\$10.73 million for general working capital of the Group which shall be applied on, including, but not limited to, approximately 70% for staff cost, approximately 20% for professional fees, approximately 5% for rental payments and approximately 5% for general administrative and operating expenses of the Group.

As at 30 June 2022, the net proceeds from the subscriptions were used as approximately RMB4,935,000 (equivalent to HK\$6,006,000) for general working capital of the Group, among which approximately RMB3,415,000 (equivalent to HK\$4,156,000) is for staff cost, approximately RMB183,000 (equivalent to HK\$223,000) is for rental payments, approximately RMB1,084,000 (equivalent to HK\$1,319,000) is for professional fee and the remaining RMB253,000 (equivalent to HK\$308,000) is for general administrative expenses. The remaining net proceeds of approximately RMB13,444,000 (equivalent to HK\$16,364,000) will be used 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 of the Company before the Capital Reorganisation becoming effective would be consolidated into one (1) consolidated share of HK\$2.0 (the “Consolidated 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 should be cancelled; and (b) the par value of all the then issued Consolidated Shares should 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 was approved by the shareholders of the Company at the extraordinary general meeting held on 26 January 2022. As all of the conditions of the Capital Reorganisation had been fulfilled following the hearing of the Company’s petition of the Capital Reduction on Tuesday, 22 March 2022 at 10:00 a.m. (Cayman Islands time) by the Grand Court of the Cayman Islands, the Capital Reorganisation became effective on Friday, 25 March 2022 (Hong Kong time).

Significant Investments

The Group has no any significant investments as at 30 June 2022.

Material Acquisition and Disposal of Listed Securities

The following acquisition and disposal of listed securities constituted notifiable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period from 2 November 2021 to 24 February 2022, the Group, through Enterprise Development (Hong Kong) Holdings Limited (“Enterprise Development (Hong Kong)”), a wholly-owned subsidiary of the Company, has acquired on the market of an aggregate of 600 shares of Tesla Inc. (a company incorporated in the USA and the common stock of which are listed on NASDAQ) (“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.

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. (a company incorporated in the USA and the common stock of which are listed on NASDAQ) (“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 5 January 2022 to 8 March 2022, the Group, through Enterprise Development (Hong Kong), has acquired on the market of an aggregate of 3,500 shares of Advanced Micro Devices, Inc. (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.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The Group has not made any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2022.

Events after the Reporting Period

On 13 July 2022, the Company entered into a placing agreement (the “Previous Placing Agreement”) with VC Brokerage Limited (the “Placing Agent”) pursuant to which the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 13,606,000 placing shares (the “Placing Share(s)”) at the placing price of HK\$0.42 per Placing Share (the “Previous Placing”).

On 29 July 2022, as the conditions precedent regarding the completion of the Previous Placing has not been fulfilled and/or waived by the agreed date as set out in the Previous Placing Agreement, the Previous Placing Agreement had lapsed and ceased to have any effect on 1 August 2022. No party to the Previous Placing Agreement should have any claim against any other party and the rights and obligations of the parties thereunder should forthwith cease and terminate, save in respect of any antecedent breach of any obligation under the Previous Placing Agreement.

On 5 August 2022, the Board, having considered the current needs of the Group and the prevailing market conditions, resolved to re-allocate HK\$4 million of the unutilised net proceeds from the Subscriptions of an aggregate of 226,770,954 new Shares amounted to approximately HK\$15.72 million (the “Unutilised Net Proceeds”), of which HK\$15.64 million were intended to be used for capital injection in Beijing Orient LegendMaker, including (i) research and development of the artificial intelligence related solutions software (the “R&D in Solutions Software”) of HK\$7.30 million and (ii) expansion of Group’s existing business to promote a domestic-produced database software to its end customers (the “Domestic-produced Database Software”) of HK\$8.34 million, to general working capital of the Group to meet the financial needs of the Group.

On 10 August 2022, the Company entered into a placing agreement (the “Placing Agreement”) with the Placing Agent pursuant to which the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six places to subscribe for the placing shares at the placing price of HK\$0.84 per placing share (the “Placing”).

The maximum Placing Shares of up to 13,606,000 Shares represent approximately 20% of the existing issued share capital of the Company as at the date of the Placing Agreement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The Placing Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2022. The Placing Agent has successfully placed 13,600,000 placing shares, the gross proceeds from the Placing will be approximately HK\$11.4 million and the net proceeds will be approximately HK\$11.1 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.82 per Placing Share. The Company intends to apply the net proceeds of the Placing (i) as to HK\$4.0 million for part of the capital injection in Beijing Orient LegendMaker which would be applied towards the R&D in Solutions Software and Domestic-produced Database Software, and (ii) as to the remaining approximately HK\$7.1 million as general working capital for the Company’s Hong Kong office including staff cost, professional fees, rental payments and other general administrative and operating expenses. All the conditions precedent to the Placing Agreement have been fulfilled and completion shall take place on 1 September 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group employed 85 (30 June 2021: 106) 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, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 30 June 2022, there was no significant contingent liability (31 December 2021: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB24,852,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB20,739,000), representing an increase of approximately 19.8%. The increase in overall revenue for the software business was driven largely by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which is in alignment with localisation policy for the database software business.

OUTLOOK

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

In 2022, the COVID-19 pandemic (the “Pandemic”) continued to cause an adverse impact on every aspect in the society. Despite the Pandemic has posed significant challenges to the Group’s business activities which has caused operational delays to some extent in 2022, Group has tried to maintain its competitiveness through introduction of new products and services, further broadening of client base and implementation of various cost control policies. Due to the trade war between the PRC and the United States back in 2020 and since then deteriorating trade relationships, the PRC Government has adopted a localization policy for the database software industry. In line with the PRC Government’s Policy, the clients of software business started searching for domestic-produced database software, which were at preliminary development stage back then, from various local database software developers with the view to replace imported database software. In or around early 2022, the Group commenced implementation of database software localization. The Group has put great effort on the improvement of its profit margin in the software maintenance services and repositioning its products in terms of lowering the cost of sales. As a result, the Group recorded an increase of 19.8% in the consolidated revenue with higher gross profit ratio of the Group for the first half of 2022 as compared with the same period of 2021.

The Company expects that on a long-term basis, in line with the national policy of information technology self-sufficiency, there will be more PRC-based customers switching to the domestic brand when seeking for database software service providers. In order to maintain the Group’s sustainability and value creation capability over the long term, the Group will 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 of the Company.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

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 six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2022, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which is explained below.

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

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang. The unaudited interim financial results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

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

Hong Kong, 31 August 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.