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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 2022

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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3(a)	47,909	40,825
Cost of sales		(27,093)	(24,313)
Gross profit		20,816	16,512
Other income, gains and losses	4	148	5,073
Distribution expenses		(14,475)	(16,710)
General and administrative expenses		(16,849)	(17,870)
Other operating expenses		(7)	(6)
Fair value loss on financial assets at fair value through profit or loss (“ FVPL ”)		(9,074)	(8,028)
Loss allowance on trade and other receivables, net		(7,351)	(7,056)
Impairment on intangible assets		–	(1,479)

		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss from operation		(26,792)	(29,564)
Finance costs	<i>5(a)</i>	<u>(877)</u>	<u>(715)</u>
Loss before taxation	<i>5</i>	(27,669)	(30,279)
Income tax credit (expense)	<i>6</i>	<u>2,655</u>	<u>(455)</u>
Loss for the year		<u>(25,014)</u>	<u>(30,734)</u>
Attributable to:			
Equity shareholders of the Company		(22,268)	(23,820)
Non-controlling interests		<u>(2,746)</u>	<u>(6,914)</u>
Loss for the year		<u>(25,014)</u>	<u>(30,734)</u>
		<i>RMB</i>	<i>RMB</i>
Basic and diluted loss per share	<i>8</i>	<u>(0.307)</u>	<u>(0.477)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	RMB'000
Loss for the year	<u>(25,014)</u>	<u>(30,734)</u>
Other comprehensive income (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>2,032</u>	<u>(1,524)</u>
	<u>2,032</u>	<u>(1,524)</u>
Total comprehensive loss for the year	<u><u>(22,982)</u></u>	<u><u>(32,258)</u></u>
Attributable to:		
Equity shareholders of the Company	(20,288)	(25,330)
Non-controlling interests	<u>(2,694)</u>	<u>(6,928)</u>
Total comprehensive loss for the year	<u><u>(22,982)</u></u>	<u><u>(32,258)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		574	488
Intangible assets		3,485	1,854
Right-of-use assets		2,105	1,020
Goodwill		—	—
		6,164	3,362
Current assets			
Inventories		—	—
Financial assets at FVPL	9	10,958	11,329
Contract assets		6,213	8,202
Trade and other receivables	10	78,607	73,047
Cash and cash equivalents		101,036	115,636
		196,814	208,214
Current liabilities			
Trade and other payables	11	16,553	9,958
Contract liabilities		2,085	6,775
Lease liabilities		1,008	771
Interest-bearing borrowings		14,531	10,057
Current taxation		520	3,175
		34,697	30,736
Net current assets		162,117	177,478
Total assets less current liabilities		168,281	180,840

		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability			
Lease liabilities		<u>1,167</u>	<u>–</u>
NET ASSETS		<u>167,114</u>	<u>180,840</u>
Capital and reserves			
Share capital	<i>12</i>	6,939	114,835
Reserves		<u>106,610</u>	<u>9,746</u>
Total equity attributable to equity shareholders of the Company		113,549	124,581
Non-controlling interests		<u>53,565</u>	<u>56,259</u>
TOTAL EQUITY		<u>167,114</u>	<u>180,840</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

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 2022 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 IAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Software maintenance and other services	34,218	38,172
Sale of software license and other products	13,691	2,293
Others	—	360
	<u>47,909</u>	<u>40,825</u>

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

	2022 <i>RMB'000</i>	2021 <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	34,218	38,172
Sale of software license and other products	13,691	2,293
Revenue from other sources		
Others	—	360
	<u>47,909</u>	<u>40,825</u>
Timing of revenue recognition		
At a point in time	13,691	2,293
Over time	34,218	38,532
	<u>47,909</u>	<u>40,825</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 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 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 2022 and 2021 is set out below:

	Software Business		Others		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue						
Revenue from external customers	<u>47,909</u>	<u>40,465</u>	<u>-</u>	<u>360</u>	<u>47,909</u>	<u>40,825</u>
Reportable segment revenue	<u>47,909</u>	<u>40,465</u>	<u>-</u>	<u>360</u>	<u>47,909</u>	<u>40,825</u>
Reportable segment loss						
Adjusted loss before taxation	<u>(9,516)</u>	<u>(16,489)</u>	<u>(13,184)</u>	<u>(7,528)</u>	<u>(22,700)</u>	<u>(24,017)</u>
Fair value loss on financial assets at FVPL	-	-	(9,074)	(8,028)	(9,074)	(8,028)
Depreciation and amortisation	(1,938)	(1,813)	(3)	(136)	(1,941)	(1,949)
Gain on disposal of financial assets at FVPL	-	-	8	906	8	906
Gain on disposal of loan receivables	-	-	-	2,988	-	2,988
Impairment on intangible assets	-	(1,479)	-	-	-	(1,479)
Interest expenses	(792)	(630)	-	(3)	(792)	(633)
Interest income from bank deposits	14	13	1	-	15	13
(Loss allowance) Reversal of loss allowance on trade and other receivables	(7,351)	(7,183)	-	127	(7,351)	(7,056)
Write-down of inventories	-	(937)	-	-	-	(937)
Reportable segment assets	170,597	172,229	25,273	19,354	195,870	191,583
Additions to non-current segment assets during the year	4,550	2,293	-	-	4,550	2,293
Reportable segment liabilities	<u>28,266</u>	<u>23,876</u>	<u>-</u>	<u>14</u>	<u>28,266</u>	<u>23,890</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>47,909</u>	<u>40,825</u>
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(22,700)	(24,017)
Unallocated head office and corporate expenses	<u>(4,969)</u>	<u>(6,262)</u>
Consolidated loss before taxation	<u>(27,669)</u>	<u>(30,279)</u>
Assets		
Reportable segment assets	195,870	191,583
Unallocated head office and corporate assets	<u>7,108</u>	<u>19,993</u>
Consolidated total assets	<u>202,978</u>	<u>211,576</u>
Liabilities		
Reportable segment liabilities	28,266	23,890
Unallocated head office and corporate liabilities	<u>7,598</u>	<u>6,846</u>
Consolidated total liabilities	<u>35,864</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, 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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC	47,909	40,465	6,164	3,359
Hong Kong	–	360	–	3
	<u>47,909</u>	<u>40,825</u>	<u>6,164</u>	<u>3,362</u>

For the years ended 31 December 2022 and 2021, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. **OTHER INCOME, GAINS AND LOSSES**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Exchange (losses) gains, net	(574)	527
Gain on disposal of financial assets at FVPL	8	906
Gain on disposal of loan receivables	–	2,988
Gain on disposal of property, plant and equipment	196	–
Bad debt recovery of loan receivable	120	–
Others	398	652
	<u>148</u>	<u>5,073</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance costs		
Interest on interest-bearing borrowings	811	637
Interest on lease liabilities	66	78
	<u>877</u>	<u>715</u>
(b) Staff costs		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	19,719	21,890
Contributions to defined contribution retirement schemes	2,261	2,562
	<u>21,980</u>	<u>24,452</u>
(c) Other items		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration	590	538
Amortisation of intangible assets	232	–
Depreciation of property, plant and equipment	204	327
Depreciation of right-of-use assets	1,505	1,622
Leases expenses of other premises under short term leases	720	771
(Gain) Loss on disposal of property, plant and equipment	(196)	164
Loss allowance (Reversal of loss allowance) on contract assets	93	(360)
	<u>93</u>	<u>(360)</u>

6. INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – the PRC		
Provision for the year	79	335
Over-provision in respect of prior years	<u>(2,734)</u>	<u>(226)</u>
	(2,655)	109
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>346</u>
	<u>(2,655)</u>	<u>455</u>

7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2022 (2021: 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 2022 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB22,268,000 (2021: approximately RMB23,820,000) and the weighted average of 72,539,767 (2021 (Restated): 49,956,909) ordinary shares in issue during the year.

The comparative amount of the basic loss per share for the year ended 31 December 2021 has been adjusted to reflect the impact of the share consolidation effected subsequent to 31 December 2021.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	1,467	4,971
Equity securities listed in the United States	<u>9,491</u>	<u>6,358</u>
	<u>10,958</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 year ended 31 December 2022, a fair value loss on listed equity securities of RMB9,074,000 (2021: RMB8,028,000) was recognised in profit or loss.

10. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables, net of loss allowance	<i>(a)</i>	<u>26,893</u>	<u>23,139</u>
Loan receivables from third parties	<i>(b)</i>	13,384	14,245
Less: loss allowance of loan receivables		<u>(13,384)</u>	<u>(14,245)</u>
Loan receivables, net of loss allowance		<u>–</u>	<u>–</u>
Prepayments made to suppliers, net of impairment	<i>(c)</i>	27,137	27,633
Deposits and other receivables, net of loss allowance		<u>24,577</u>	<u>22,275</u>
		<u>51,714</u>	<u>49,908</u>
		<u>78,607</u>	<u>73,047</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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	14,881	13,283
Over 1 month but less than 3 months	2,668	666
Over 3 months but less than 1 year	6,443	6,031
Over 1 year but less than 2 years	2,901	3,159
Over 2 years	—	—
	<u>26,893</u>	<u>23,139</u>

- (b) At 31 December 2022, loan receivables of RMB13,384,000 (2021: RMB14,245,000) were unsecured, carried at fixed interest rates of ranging from 7% to 10% (2021: 7% to 12%) per annum and overdue. All loan receivables were denominated in HK\$.
- (c) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.

11. TRADE AND OTHER PAYABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	9,159	4,116
Non-trade payables and accrued expenses	5,955	5,120
Other tax payables	1,439	722
	<u>16,553</u>	<u>9,958</u>

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

The credit period of trade payables is normally within 90 (2021: 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Due within 1 month or on demand	8,747	3,701
Due after 1 month but within 3 months	–	–
Due after 3 months but within 6 months	–	18
Due after 6 months but within 1 year	353	16
Due after 1 year	59	381
	<u>9,159</u>	<u>4,116</u>

12. SHARE CAPITAL

	2022		2021	
	Number of shares	Amount <i>HK\$</i>	Number of shares	Amount <i>HK\$</i>
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1 January and 31 December	10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1 January	1,360,625,725	136,062,573	758,172,933	75,817,293
Issue of rights shares (<i>note (i)</i>)	–	–	375,681,838	37,568,184
Issue of placing shares (<i>note (ii)</i>)	–	–	226,770,954	22,677,096
Capital reorganisation (<i>note (iii)</i>)	(1,292,594,451)	(129,259,446)	–	–
Issue of placing shares (<i>note (iv)</i>)	13,600,000	1,360,000	–	–
At 31 December	<u>81,631,274</u>	<u>8,163,127</u>	<u>1,360,625,725</u>	<u>136,062,573</u>
		RMB equivalent		RMB equivalent
		<u>6,938,615</u>		<u>114,835,503</u>

Notes:

- (i) 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 net proceeds of approximately RMB36,711,000 (equivalent to approximately HK\$43,910,000) were received.
- (ii) On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares with the par value of HK\$0.1 each at a subscription price of HK\$0.1 per share to two independent third parties for cash. The net proceeds of approximately RMB18,286,000 (equivalent to approximately HK\$22,370,000) were received. The closing market price of the Company's shares as at the issue date was HK\$0.062 per share.
- (iii) On 25 March 2022, the Company completed a capital reorganisation (the "**Capital Reorganisation**") involving the share consolidation (the "**Share Consolidation**"), the capital reduction (the "**Capital Reduction**") and the share subdivision (the "**Share Subdivision**"). The Capital Reorganisation was approved at the extraordinary general meeting held on 26 January 2022. Details of which are as follows:

- (1) Share consolidation

Every twenty (20) existing issued and unissued ordinary shares with a par value of HK\$0.1 each (the "**Existing Share(s)**") in the authorised share capital of the Company are consolidated into one (1) consolidated share with a par value of HK\$2.0 (each a "**Consolidated Share**");

- (2) Capital reduction

Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled and the par value of all issued Consolidated Shares is reduced from HK\$2.0 each to HK\$0.1 each (the "**Adjusted Shares**") and the issued share capital of the Company shall be reduced by HK\$1.9 per Consolidated Share in issue;

- (3) Share subdivision

Every unissued Consolidated Share in the share capital of the Company arising from the Share Consolidation is sub-divided into twenty (20) Adjusted Shares with a par value of HK\$0.1 each.

As a result of the Capital Reorganisation, 1,292,594,451 issued and fully paid shares were cancelled and share capital amounting to HK\$129,259,446 (equivalent to approximately RMB109,093,000) were cancelled and used to offset against the accumulated losses of the Company.

- (iv) 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 up to 13,606,000 placing shares at the placing price of HK\$0.84 per placing share.

All conditions to the Placing Agreement have been fulfilled and completion of the placing took place on 1 September 2022. An aggregate of 13,600,000 placing shares with the par value of HK\$0.1 each have been successfully placed by the placing agent to not less than six places at placing price of HK\$0.84 per placing share pursuant to the terms and conditions of the Placing Agreement. The net proceeds of approximately RMB9,685,000 (equivalent to approximately HK\$10,950,000) were received.

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 rights issue

The Company proposed to raise up to approximately HK\$106,160,000 before expenses, by way of the rights issue (the “**Rights Issue**”), by issuing up to 124,896,729 rights shares (the “**Right Share(s)**”) (assuming all 1,633,212 outstanding share options (the “**Share Options**”) granted under the share option scheme adopted by the Company on 26 May 2016 (the “**Share Option Scheme**”) are exercised in full on or before 10 February 2023 (the “**Record Date**”), but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue) at the subscription price of HK\$0.85 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Company has appointed VC Brokerage Limited as underwriter of the Rights Issue pursuant to the underwriting agreement entered into on 29 November 2022. The Record Date has been extended to 3 March 2023 and further extended to 24 March 2023 pursuant to the supplemental underwriting agreement and second supplemental agreement entered into between the parties on 10 January 2023 and 3 February 2023 respectively (the “**Extended Record Date**”).

As at the Extended Record Date (i.e. 24 March 2023), the number of issued Shares was 81,631,274 Shares and the total number of Rights Shares to be issued was up to 122,446,911 Rights Shares. The net proceeds from the Rights Issue after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be approximately HK\$101,700,000. Details of rights issue are set out in the circular of the Company dated 24 February 2023 and the prospectus of the Company dated 27 March 2023.

As at the date of this announcement, the rights issue has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group recorded a revenue of approximately RMB47,909,000 (2021: RMB40,825,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB34,218,000 (2021: RMB38,172,000); (ii) sale of software license and other products amounted to approximately RMB13,691,000 (2021: RMB2,293,000); and (iii) no revenue from other sources in 2022 (2021: RMB360,000). The increase in overall revenue for the software business rose 17.4% year on year to RMB47,909,000, 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 year ended 31 December 2022, the Group recorded a gross profit of approximately RMB20,816,000 (2021: RMB16,512,000). The gross profit ratio for the software business of the Group during the year was approximately 43% while that of the last corresponding year was approximately 41%. The slightly increase in gross profit margin was mainly attributable to the transformation period of the software business, combined with the enhanced professional service sales resulting in an increase in the ratio of sales of self-developed products and software maintenance services which have higher gross profit margin.

Distribution Expenses

For the year ended 31 December 2022, distribution expenses were approximately RMB14,475,000 (2021: RMB16,710,000). 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 2022, general and administrative expenses were approximately RMB16,849,000 (2021: RMB17,870,000). The decrease in general and administrative expenses was attributable to the decrease in staff costs and transactions cost on trading of listed equity securities.

Impairment on Intangible Assets

For the year ended 31 December 2022, no impairment on intangible assets was contributed by the software business (2021: RMB1,479,000).

Finance Costs

For the year ended 31 December 2022, finance costs were approximately RMB877,000 (2021: RMB715,000). The increase in finance costs was due to the increase in interest expenses on interest-bearing borrowings during the year.

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

The financial instrument for short-term investments included the equity securities listed in Hong Kong and the United States. Downward fair value adjustments in valuation of the listed equity securities was caused by the overall underperforming investment market and weakened market sentiment. As a result, the fair value loss on financial assets at fair value through profit or loss of approximately RMB9,074,000 was recognised in profit or loss for the year ended 31 December 2022 (2021: RMB8,028,000).

Income Tax

Income tax credit of the Group for the year ended 31 December 2022 amounted to approximately RMB2,655,000 (2021: income tax expense approximately RMB455,000). The change in income tax was mainly due to the reversal of over-provision of income tax in the PRC in respect of prior years recognised in the year 2022.

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2022 of approximately RMB25,014,000 (2021: RMB30,734,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2022, the Group maintained cash and cash equivalents amounted to approximately RMB101,036,000 (2021: RMB115,636,000). As at 31 December 2022, the Group's current ratio was approximately 5.67 times (2021: 6.77 times); and the Group's net gearing ratio as at 31 December 2022 was not applicable (2021: 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 2022 and 2021, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

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

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

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

Capital Structure

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

On 7 May 2021, the shareholders of the Company approved a rights issue (the “**Previous 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 Previous Rights Issue became unconditional on 12 May 2021. 375,681,838 rights shares with par value of HK\$0.1 each were allotted and issued on 20 May 2021 with aggregate nominal value of HK\$37,568,184.

The gross proceeds from the Previous Rights Issue were approximately HK\$45.08 million and the net proceeds from the Previous Rights Issue, after deducting professional fees and all other relevant expenses, were 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% was for staff cost (including salary and allowance), approximately 4% was for rental payments, approximately 20% was for professional fees (including legal fee, financial advisory fee, accounting and auditing fee) and the remaining 16% was 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 31 December 2022, the net proceeds from the Previous 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 RMB25,001,000 (equivalent to HK\$29,910,000) 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 RMB3,181,000 (equivalent to HK\$3,810,000) is for professional fee and the remaining RMB4,000,000 (equivalent to HK\$4,790,000) is for general administrative expenses, and all the proceeds from the Previous Rights Issue were utilised in full.

On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares with the par value of HK\$0.1 each at the subscription price of HK\$0.1 per share to two independent third parties for cash (the "**Subscriptions**") with aggregate nominal value of HK\$22,677,096. The gross proceeds and net proceeds arising from the Subscriptions amounted to approximately HK\$22.67 million and HK\$22.37 million, respectively.

The Company intended to apply (i) approximately HK\$11.64 million for capital injection in Beijing Orient LegendMaker as detailed in the announcements of the Company dated 9 November 2021, 29 November 2021 and 5 August 2022 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 31 December 2022, the net proceeds from the Subscriptions were used as approximately RMB8,771,000 (equivalent to HK\$10,730,000) for general working capital of the Group, among which approximately RMB6,008,000 (equivalent to HK\$7,350,000) is for staff cost, approximately RMB392,000 (equivalent to HK\$480,000) is for rental payments, approximately RMB1,807,000 (equivalent to HK\$2,210,000) is for professional fee and the remaining RMB564,000 (equivalent to HK\$690,000) is for general administrative expenses. The remaining net proceeds of approximately RMB9,515,000 (equivalent to HK\$11,640,000) will be used according to the intended use and that the expected timeline for utilising the unutilised net proceeds from the Subscriptions will be on or before August 2023.

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).

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 places to subscribe for up to 13,606,000 placing shares 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 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 up to 13,606,000 placing shares (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 then existing issued share capital of the Company as at the date of the Placing Agreement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The Placing Shares were approved to issue under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2022. On 1 September 2022, an aggregate of 13,600,000 Placing Shares with the par value of HK\$0.1 each have been successfully issued at placing price of HK\$0.84 per Placing Share with aggregate nominal value of HK\$1,360,000. The gross proceeds from the Placing amounted to approximately HK\$11.4 million and the net proceeds amounted to approximately HK\$10.95 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.82 per Placing Share. The Company intends to apply the net proceeds of the Placing (i) as to HK\$4.0 million for part of the capital injection in Beijing Orient LegendMaker which would be applied towards the research and development of the artificial intelligence related solutions software and expansion of Group’s existing business to promote a domestic-produced database software to its end customers, and (ii) as to the remaining approximately HK\$6.95 million as general working capital for the Company’s Hong Kong office including staff cost, professional fees, rental payments and other general administrative and operating expenses. Completion of Placing took place on 1 September 2022.

As at 31 December 2022, the net proceeds from the Placing were used as approximately RMB814,000 (equivalent to HK\$920,000) for general working capital of the Group, among which approximately RMB681,000 (equivalent to HK\$770,000) is for professional fee and the remaining RMB133,000 (equivalent to HK\$150,000) is for general administrative expenses. The remaining net proceeds of approximately RMB8,871,000 (equivalent to HK\$10,030,000) will be used according to the intended use and that the expected timeline for utilising the unutilised net proceeds from the Placing for capital injection in Beijing Orient LegendMaker and general working capital for the Company’s Hong Kong office will be on or before August 2023 and on or before October 2023 respectively.

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

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

As the Rights Issue will increase the total number of issued Shares by more than 50% within a 12-month period, the Rights Issue is subject to the approval by the independent shareholders at an extraordinary general meeting (the “EGM”) by way of poll at which the controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM. The EGM was held on 14 March 2023 and the Shareholders have approved the Rights Issue.

Events after the Reporting Period

Other than the proposed Rights Issue as disclosed above, there was no other events after the reporting period.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2022 (2021: Nil).

Material Acquisition and Disposal of Subsidiaries

On 4 November 2022, the Company entered into Capital Increase Agreement with Beijing Orient LegendMaker and OLM, pursuant to which, the Company agreed to carry out the increase in capital by the Company in Beijing Orient LegendMaker with an investment amount of RMB12.85 million, representing approximately 10.46% of the equity in Beijing Orient LegendMaker following the completion of the Capital Increase, which was taken place in February 2023.

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

Save as disclosed above, the Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2022.

Employees and Remuneration Policies

As at 31 December 2022, the Group employed 89 (2021: 96) 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 2022, the Group had no significant contingent liability (2021: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

The Group recorded the revenue of approximately RMB47,909,000 for the year ended 31 December 2022 (2021: RMB40,825,000), representing an increase of approximately 17.4%. In spite of the continuing influence of COVID-19 pandemic (the “**Pandemic**”) in the operation of the Group’s software business in Mainland China, the software business was benefited from the all-round improvement in management to recover slightly in 2022 compared to the corresponding period in 2021. 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 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.

In 2022, the Pandemic continued to cause an adverse impact on every aspect in the society and the recovery of domestic economy remained fragile. Despite the Pandemic has posed significant challenges to the Group's business activities which has caused operational delays to some extent in 2022, the Group has tried to maintain its competitiveness through introduction of new products and services, further broadening of client base and implementation of various cost control policies. 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 17.4% in the consolidated revenue with higher gross profit ratio of the Group for the year 2022 as compared with 2021.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting to be held on Friday, 23 June 2023, the register of members of the Company will be closed from Friday, 16 June 2023 to Friday, 23 June 2023, 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 Thursday, 15 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, 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 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 year ended 31 December 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 year ended 31 December 2022.

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 2022 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 2022. 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 2022.

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

Hong Kong, 31 March 2023

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.