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## ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

### 企展控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1808)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 (the “Group”) for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>Continuing operations</b>			
Turnover	3	<b>149,091</b>	291,207
Cost of sales		<b>(124,958)</b>	(255,282)
Gross profit		<b>24,133</b>	35,925
Other income and gains	4	<b>16,698</b>	1,760
Distribution expenses		<b>(26,319)</b>	(22,090)
General and administrative expenses		<b>(53,161)</b>	(25,374)
Other operating expenses		<b>(6)</b>	(20)
Impairment loss on amount due from an associate		—	(12,057)

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Loss from operations		<b>(38,655)</b>	(21,856)
Share of results of associate		–	(64,516)
Finance costs	<i>5(a)</i>	<u><b>(1,775)</b></u>	<u>(1,724)</u>
Loss before taxation	<i>5</i>	<b>(40,430)</b>	(88,096)
Income tax credit/(expense)	<i>6</i>	<u><b>1,375</b></u>	<u>(3,784)</u>
<b>Loss for the year from continuing operations</b>		<b>(39,055)</b>	(91,880)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		<u>–</u>	<u>(5,832)</u>
<b>Loss for the year</b>		<u><b>(39,055)</b></u>	<u>(97,712)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company			
Continuing operations		<b>(25,001)</b>	(96,354)
Discontinued operations		<u>–</u>	<u>(5,832)</u>
		<u><b>(25,001)</b></u>	<u>(102,186)</u>
Non-controlling interests			
Continuing operations		<u><b>(14,054)</b></u>	<u>4,474</u>
		<u><b>(14,054)</b></u>	<u>4,474</u>
<b>Loss for the year</b>		<u><b>(39,055)</b></u>	<u>(97,712)</u>
<b>Basic and diluted losses per share (RMB)</b>	<i>8</i>		
Continued operations		<u><b>(0.047)</b></u>	<u>(0.187)</u>
Discontinued operations		<u>–</u>	<u>(0.011)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Loss for the year</b>	<u>(39,055)</u>	<u>(97,712)</u>
<b>Other comprehensive expenses for the year (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of subsidiaries	(7,589)	(3,477)
Share of exchange difference of an associate	–	4
Exchange difference on translation of financial statements of overseas operations	<u>3,971</u>	<u>(613)</u>
<b>Total comprehensive expenses for the year</b>	<u><u>(42,673)</u></u>	<u><u>(101,798)</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	(28,694)	(106,204)
Non-controlling interests	<u>(13,979)</u>	<u>4,406</u>
<b>Total comprehensive expenses for the year</b>	<u><u>(42,673)</u></u>	<u><u>(101,798)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		851	560
Intangible assets		21,011	18,107
Goodwill		19,541	19,541
Interests in associate		–	–
Deferred tax assets		346	346
		<u>41,749</u>	<u>38,554</u>
<b>Current assets</b>			
Inventories		937	1,355
Contract assets		14,387	–
Trade and other receivables	9	148,679	194,777
Trading securities		–	–
Pledged bank deposits		174	277
Cash and cash equivalents		96,446	122,971
		<u>260,623</u>	<u>319,380</u>
<b>Current liabilities</b>			
Trade and other payables	10	13,209	35,249
Contract liabilities		11,133	–
Borrowings		28,390	27,742
Current taxation		4,194	5,363
		<u>56,926</u>	<u>68,354</u>
<b>Net current assets</b>		<u>203,697</u>	<u>251,026</u>
<b>Total assets less current liabilities</b>		<u>245,446</u>	<u>289,580</u>
<b>Net assets</b>		<u>245,446</u>	<u>289,580</u>
<b>Capital and reserves</b>			
Share capital	11	44,711	44,711
Reserves		106,788	136,359
<b>Total equity attributable to equity shareholders of the Company</b>		<u>151,499</u>	<u>181,070</u>
<b>Non-controlling interests</b>		<u>93,947</u>	<u>108,510</u>
<b>Total equity</b>		<u>245,446</u>	<u>289,580</u>

# NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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 2018 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 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 POLICY

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 financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The adoption of IFRIC 22 does not have a material effect on the financial position and the financial result of the Group.

### (i) **IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation**

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on accumulated losses and non-controlling interests at 1 January 2018.

RMB'000

**Accumulated losses**

Recognition of additional expected credit losses on:

— financial assets measured at amortised cost	827
— contract assets	50

Increase in accumulated losses at 1 January 2018	877
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**Non-controlling interests**

Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018

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Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

*a. Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede IAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group’s financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amounts at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	IFRS 9 carrying amounts at 1 January 2018 RMB'000
<b>Financial assets carried at amortised cost</b>				
Trade and other receivables <i>(note (i))</i>	194,777	(12,792)	(1,461)	180,524
Pledged bank deposits	277	–	–	277
Cash and cash equivalents	122,971	–	–	122,971
	318,025	(12,792)	(1,461)	303,772
	318,025	(12,792)	(1,461)	303,772

*Note:*

- (i) Trade and other receivables of approximately \$12,792,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

*b. Credit losses*

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables); and
- contract assets as defined in IFRS 15.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	<i>RMB'000</i>
Loss allowance at 31 December 2017 under IAS 39	139
Additional credit loss recognised at 1 January 2018 on:	
– Trade receivables	1,268
– Deposits and other receivables (included in trade and other receivables)	110
– Contract assets	83
	<hr/>
Loss allowance at 1 January 2018 under IFRS 9	<u>1,600</u>

*c. Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated losses and non-controlling interests as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

**(ii) IFRS 15, Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IASs 11 and 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

*a. Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.



Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and provision of services and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

*b. Significant financing component*

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and provision of services and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

c. *Presentation of contract assets and liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- (i) “Trade receivables” amounting to approximately RMB12,792,000 respectively, which was previously included in trade receivables (note 9) are now included under contract assets; and
- (ii) “Advance receipts from customers” amounting to approximately RMB8,794,000, which was previously included in non-trade payables and accrued expenses (note 10) are now included under contract liabilities.

### 3. TURNOVER AND SEGMENT REPORTING

#### (a) Turnover

The principal activities of the Group are the provision of integrated business software solutions and trading of listed securities. During the year ended 31 December 2017, the Group identified its mobile marketing business as discontinued operations upon disposal of Apex Centre Limited and its subsidiaries (“Apex Group”) on 7 November 2017.

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

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Continuing operations</b>		
Software maintenance and other services	<b>132,260</b>	279,648
Sale of software products and others	<b>15,505</b>	29,001
Net realised and unrealised losses on trading securities	–	(18,062)
Others	<b>1,326</b>	620
	<b>149,091</b>	291,207
<b>Discontinued operations</b>		
Mobile marketing business	–	9,395
	<b>149,091</b>	300,602

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products and services		
Software business:		
Software maintenance and other services	132,260	279,648
Sales of software products and others	15,505	29,001
<b>Revenue/(loss) from other sources</b>		
Others	1,326	620
Net realised and unrealised losses on trading securities	—	(18,062)
	<u>149,091</u>	<u>291,207</u>
<b>Timing of revenue recognition</b>		
At a point in time	15,505	10,939
Over time	133,586	280,268
	<u>149,091</u>	<u>291,207</u>

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c).

**(b) Segment reporting**

The Group manages its business 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 two major reportable segments on continuing operations. No operating segments have been aggregated to form the following reportable segments.

**Continuing operations:**

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading of securities listed on The Stock Exchange of Hong Kong Limited.

**Discontinued operations:**

- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong

*(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 creditors 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 auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit 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/(loss) generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

Information regarding the Group’s major reportable segments as provided to the Board for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2018 and 2017 is set out below:

	Continuing operations								Discontinued operations		Total	
	Trading and investment business				Others		Sub-total		Mobile marketing business			
	Software business											
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue/(loss) from external customers	<u>147,765</u>	<u>308,649</u>	<u>-</u>	<u>(18,062)</u>	<u>1,326</u>	<u>620</u>	<u>149,091</u>	<u>291,207</u>	<u>-</u>	<u>9,395</u>	<u>149,091</u>	<u>300,602</u>
<b>Reportable segment revenue</b>	<b><u>147,765</u></b>	<b><u>308,649</u></b>	<b><u>-</u></b>	<b><u>(18,062)</u></b>	<b><u>1,326</u></b>	<b><u>620</u></b>	<b><u>149,091</u></b>	<b><u>291,207</u></b>	<b><u>-</u></b>	<b><u>9,395</u></b>	<b><u>149,091</u></b>	<b><u>300,602</u></b>
<b>Reportable segment loss (adjusted loss before taxation)</b>	<b><u>(36,468)</u></b>	<b><u>15,259</u></b>	<b><u>-</u></b>	<b><u>(18,122)</u></b>	<b><u>(7,503)</u></b>	<b><u>(280)</u></b>	<b><u>(43,971)</u></b>	<b><u>(3,143)</u></b>	<b><u>-</u></b>	<b><u>(5,832)</u></b>	<b><u>(43,971)</u></b>	<b><u>(8,975)</u></b>
Interest income from bank deposits	70	99	-	-	-	-	70	99	-	-	70	99
Interest expense	1,392	1,288	-	-	-	-	1,392	1,288	-	13	1,392	1,301
Depreciation and amortisation for the year	2,532	1,712	-	-	38	29	2,570	1,741	-	171	2,570	1,912
Impairment loss on goodwill	-	-	-	-	-	-	-	-	-	8,714	-	8,714
<b>Reportable segment assets</b>	<b>279,322</b>	<b>320,959</b>	<b>-</b>	<b>-</b>	<b>15,319</b>	<b>14,693</b>	<b>294,641</b>	<b>335,652</b>	<b>-</b>	<b>-</b>	<b>294,641</b>	<b>335,652</b>
Additions to non-current segment assets during the year	5,966	9,580	-	-	-	95	5,966	9,675	-	41	5,966	9,716
<b>Reportable segment liabilities</b>	<b><u>50,946</u></b>	<b><u>53,349</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>673</u></b>	<b><u>50,946</u></b>	<b><u>54,022</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>50,946</u></b>	<b><u>54,022</u></b>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	149,091	300,602
Elimination on discontinued operations	—	(9,395)
	<u>149,091</u>	<u>291,207</u>
<b>Consolidated revenue from continuing operations</b>		
	<b><u>149,091</u></b>	<b><u>291,207</u></b>
<b>Loss before taxation</b>		
Reportable segment loss	(43,971)	(8,975)
Unallocated head office and corporate income/(expenses)	3,541	(84,953)
Elimination on discontinued operations	—	5,832
	<u>(40,430)</u>	<u>(88,096)</u>
<b>Consolidated loss before taxation from continuing operations</b>		
	<b><u>(40,430)</u></b>	<b><u>(88,096)</u></b>
<b>Assets</b>		
Reportable segment assets	294,641	335,652
Deferred tax assets	346	346
Unallocated head office and corporate assets	7,385	21,936
	<u>302,372</u>	<u>357,934</u>
<b>Consolidated total assets</b>		
	<b><u>302,372</u></b>	<b><u>357,934</u></b>
<b>Liabilities</b>		
Reportable segment liabilities	50,946	54,022
Unallocated head office and corporate liabilities	5,980	14,332
	<u>56,926</u>	<u>68,354</u>
<b>Consolidated total liabilities</b>		
	<b><u>56,926</u></b>	<b><u>68,354</u></b>

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue/(loss) from continuing operations from external customers; and (ii) the Group's property, plant and equipment, intangible 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 goodwill.

	<b>Revenue/(loss) from external customers</b>		<b>Specified non-current assets</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	<b>147,765</b>	308,649	<b>41,337</b>	38,059
Hong Kong	<b>1,326</b>	(17,442)	<b>66</b>	149
	<b>149,091</b>	291,207	<b>41,403</b>	38,208

For the year ended 31 December 2018, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2017: Nil).

**4. OTHER INCOME AND GAINS**

	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Continuing operations</b>		
Interest income from bank deposits	<b>70</b>	99
Interest income from amount due from an associate	–	1,249
Gain on disposal of subsidiaries	<b>16,078</b>	–
Gain on disposal on financial assets at fair value through profit or loss	<b>507</b>	387
Others	<b>43</b>	25
	<b>16,698</b>	1,760

## 5. LOSS BEFORE TAXATION

Loss before taxation from continuing operations is arrived at after charging:

### (a) Finance costs

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest expenses on bank and other borrowings	<u>1,775</u>	<u>1,724</u>

### (b) Staff costs

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Salaries, wages and other benefits	30,090	23,723
Contributions to defined contribution retirement schemes	<u>1,619</u>	<u>1,529</u>
	<u>31,709</u>	<u>25,252</u>

### (c) Other items

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost of inventories	418	1,385
Auditors' remuneration		
– audit services	675	780
– non-audit services	551	520
Depreciation of property, plant and equipment	808	1,021
Amortisation of intangible assets	1,802	775
Loss allowance on trade and other receivables	17,284	67
Loss allowance on contract assets	134	–
Operating lease charges in respect of properties	<u>3,986</u>	<u>4,364</u>

## 6. INCOME TAX CREDIT/(EXPENSE)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Continuing operations</b>		
<b>Current tax – PRC</b>		
– Provision for the year	(325)	(3,594)
– Over/(under)-provision in respect of prior year	<u>1,700</u>	<u>(190)</u>
	<u><u>1,375</u></u>	<u><u>(3,784)</u></u>

## 7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

## 8. BASIC AND DILUTED LOSSES PER SHARE

The calculation of basic and diluted losses as per share from continuing operations for the year ended 31 December 2018 is based on the loss attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB25,001,000 (2017: approximately RMB96,354,000) and the weighted average of 526,508,982 (2017: 516,166,516) ordinary shares in issue during the year.

The calculation of basic and diluted losses as per share from discontinued operations for the year ended 31 December 2017 is based on the loss attributable to ordinary equity shareholders of the Company from discontinued operations of approximately RMB5,832,000 and the weighted average of 516,166,516 ordinary shares in issue during the year ended 31 December 2017.



(i) Loss attributable to equity shareholders of the Company

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Loss for the year from continuing operations	25,001	96,354
Loss for the year from discontinued operations	—	5,832
	<u>25,001</u>	<u>102,186</u>

(ii) Weighted average number of ordinary shares

	2018 Number of shares	2017 Number of shares
Ordinary shares issued at 1 January	526,508,982	501,508,982
Effect of placing of new shares	—	14,657,534
	<u>526,508,982</u>	<u>516,166,516</u>

There were no dilutive potential ordinary shares in issue as at 31 December 2018 (2017: Nil).

9. TRADE AND OTHER RECEIVABLES

		31 December 2018 <i>RMB'000</i>	1 January 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
	<i>Notes</i>			
Trade receivables, net of loss allowance	(i), (ii)	20,371	64,444	78,587
Loan receivables, net of loss allowance	(iii)	14,413	12,652	12,652
Prepayments made to suppliers		94,108	81,550	81,550
Deposits and other receivables, net of loss allowance	(i)	19,787	21,878	21,988
		<u>148,679</u>	<u>180,524</u>	<u>194,777</u>

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

*Note:*

- (i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables and deposits and other receivables.

- (ii) 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:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 month	<b>11,181</b>	64,952
Over 1 month but less than 3 months	<b>5,399</b>	4,922
Over 3 months but less than 1 year	<b>2,462</b>	4,821
Over 1 year but less than 2 years	<b>1,068</b>	2,274
Over 2 years	<b>261</b>	1,618
	<u>20,371</u>	<u>78,587</u>

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Repayable		
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	<b>14,413</b>	12,652
	<u>14,413</u>	<u>12,652</u>

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 month	–	–
Over 1 month but less than 3 months	<b>14,237</b>	–
Over 3 months but less than 1 year	<b>176</b>	8,490
Over 1 year but less than 2 years	–	4,162
	<u>14,413</u>	<u>12,652</u>

## 10. TRADE AND OTHER PAYABLES

	31 December 2018 <i>RMB'000</i>	1 January 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
Trade creditors	7,992	10,246	10,246
Non-trade payables and accrued expenses	4,716	11,596	20,390
Other tax payable	501	4,613	4,613
	<u>13,209</u>	<u>26,455</u>	<u>35,249</u>

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

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Due within 1 month or on demand	5,103	8,907
Due after 1 month but within 3 months	2,719	–
Due after 3 months but within 6 months	130	–
Due after 6 months but within 1 year	40	1,339
	<u>7,992</u>	<u>10,246</u>

## 11. SHARE CAPITAL

	<i>Note</i>	2018		2017	
		Number of shares	Amount HK\$	Number of shares	Amount HK\$
<b>Authorised:</b>					
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>
<b>Issued and fully paid:</b>					
At 1 January		526,508,982	52,650,898	501,508,982	50,150,898
Issue of placing shares	<i>(i)</i>	–	–	25,000,000	2,500,000
At 31 December		<u>526,508,982</u>	<u>52,650,898</u>	<u>526,508,982</u>	<u>52,650,898</u>
			<u>RMB equivalent</u> 44,711,310		<u>RMB equivalent</u> 44,711,310

*Note:*

*(i) Issue of placing shares*

Pursuant to a placing agreement dated 22 May 2017, a total of 25,000,000 ordinary shares of HK\$0.1 each were issued at the placing price of HK\$1.23 per placing share. The placing has resulted in an increase in the share capital and share premium account by approximately HK\$2,500,000 (equivalent to approximately RMB2,183,000) and approximately HK\$27,515,000 (equivalent to approximately RMB24,029,000) respectively.

**12. EVENTS AFTER REPORTING PERIOD**

On 14 November 2017, Reliable Intelligence Asia Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire 50% of issued share capital in Taiping Securities (HK) Co Limited (the “Acquisition”). The Acquisition constitutes a major transaction of the Company under the Listing Rules and has been approved by the Company’s shareholders at an extraordinary general meeting of the Company held on 8 February 2018. For further information of the Acquisition, please refer to the Company’s announcements dated 14 November 2017, 22 December 2017, 12 January 2018 and 6 February 2018, 12 December 2018, 31 December 2018, and the Company’s circular dated 23 January 2018. The transaction has not completed as of the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

For the year ended 31 December 2018, the Group recorded a turnover from continuing operations of approximately RMB149,091,000 (2017: RMB291,207,000), of which turnover mainly comprised of (i) software maintenance and other services amounted to approximately RMB132,260,000 (2017: RMB279,648,000); (ii) sale of software products and others amounted to approximately RMB15,505,000 (2017: RMB29,001,000); and (iii) net realised and unrealised losses on trading securities amounted to nil (2017: RMB18,062,000). The decrease in turnover from the software business was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants.

#### Gross Profit

For the year ended 31 December 2018, the Group recorded a gross profit from continuing operations of approximately RMB24,133,000 (2017: RMB35,925,000). The gross profit ratio for the software business of the Group during the year was approximately 16% while that of the last corresponding year was approximately 17%. The decrease in gross profit ratio was mainly due to the increase in cost of sales while contract value remained stable to maintain competitiveness of the business.

#### Distribution Expenses

For the year ended 31 December 2018, distribution expenses from continuing operations were approximately RMB26,319,000 (2017: RMB22,090,000). The increase in distribution expenses was mainly due to the increase in staff costs of the software business in the PRC during the year.

#### General and Administrative Expenses

For the year ended 31 December 2018, general and administrative expenses from continuing operations were approximately RMB53,161,000 (2017: RMB25,374,000). The increase in general and administrative expenses was mainly due to the provision for bad debt during the year.

#### Finance Costs

For the year ended 31 December 2018, finance costs from continuing operations were approximately RMB1,775,000 (2017: RMB1,724,000). The increase in finance costs was mainly due to the increase in the interest on short-term loan.

## **Share of Results of an Associate**

For the year ended 31 December 2018, the Group did not share any results of an associate (2017: loss of RMB64,516,000) as the share of losses of an associate exceeds the Group's interests in the associate, as such, the Group discontinued recognising its share of further losses in the associate and such associate ceased to be an associate of the Group since 28 June 2018.

## **Loss for the Year from Continuing Operations**

As a result, the Group recorded a loss from continuing operations for the year ended 31 December 2018 of approximately RMB39,055,000 (2017: RMB91,880,000).

## **Loss for the Year from Discontinued Operations**

For the year ended 31 December 2018, the Group did not record any loss from discontinued operations. On 7 November 2017, the Group disposed of the entire equity interest in Apex Center Limited and its subsidiaries, which carried out the Group's mobile marketing business. The loss from discontinued operations were approximately RMB5,832,000 for the year ended 31 December 2017.

## **Liquidity and Financial Resources**

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2018, the Group maintained cash and cash equivalents amounted to approximately RMB96,446,000 (2017: RMB122,971,000). As at 31 December 2018, the Group's current ratio was approximately 4.58 times (2017: 4.67 times); and the Group's net gearing ratio as at 31 December 2018 was not applicable (2017: 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 2018 and 2017, the Group has pledged certain trade receivables not less than RMB8,000,000 as security of bank borrowings. As at 31 December 2018 and 2017, except for the bank deposits pledged to secure trade finance facilities to the Group, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

## **Capital Structure**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including borrowings, and equity attributable to owners 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.

## **Significant Investment**

The Group has not made any significant investment for the year ended 31 December 2018 (2017: Nil).

## **Material Acquisition and Disposal of Subsidiaries**

The Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2018.

## **Employees and Remuneration Policies**

As at 31 December 2018, the Group employed 125 full time employees (2017: 160). 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 2018, the Group had no significant contingent liability (2017: Nil).

## **Final Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

## **BUSINESS REVIEW**

The Group recorded a turnover from continuing operations of approximately RMB149,091,000 for the year ended 31 December 2018 (2017: RMB291,207,000), representing a decrease of approximately 49%. The decrease was mainly due to the decrease in turnover from the Group's software business as compared to the year ended 31 December 2017.

The turnover of the software business amounted to approximately RMB147,765,000 for the year ended 31 December 2018 (2017: RMB308,649,000), representing a decrease of approximately 52%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well funded and experienced participants.

## **OUTLOOK AND FUTURE BUSINESS STRATEGIES**

We have a large client base in the PRC and we have an experienced technical team which can provide our clients with prompt and effective services and business solutions.

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 significant market share and has a strong brand in this area. Despite the slowdown in the Group's software business due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers, the Group will try to maintain its competitiveness through introduction of new products and services.

In order to maintain the Group's sustainability and preservation of value 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. In particular, the Group will continue to explore potential integration opportunities for the Group's existing IT services with financial service sector. The Group is still optimistic on the growth opportunities in the financial services industry and believe that a successful integration of the Group's IT services with the financial service sector could create further income sources and long-term benefits to the Group.

## **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 annual general meeting of the Company to be held on Wednesday, 22 May 2019 ("2019 AGM"), the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, 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, 16 May 2019.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2018, 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 2018.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2018, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and D.1.4 of the CG Code, which are explained below.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. The term of appointment of Ms. Hu Gin Ing, an independent non-executive Director, expired in year 2013 and thereafter she is not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Code provision D.1.4 of the CG Code requires that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lam Kai Tai, chairman and executive Director and Ms. Hu Gin Ing, an independent non-executive Director. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

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 2018.

## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Ms. Hu Gin Ing (chairlady), Mr. Liu Jian and Mr. Li Wai Kwan.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018.

By Order of the Board  
**Enterprise Development Holdings Limited**  
**Lam Kai Tai**  
*Chairman*

Hong Kong, 28 March 2018

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lam Kai Tai (Chairman) and Mr. Bai Xuefei, and three independent non-executive Directors, namely Ms. Hu Gin Ing, Mr. Liu Jian and Mr. Li Wai Kwan.*