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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 2019

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 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Revenue	3	101,628	149,091
Cost of sales		(78,303)	(124,958)
Gross profit		23,325	24,133
Other income and gains	4	234	16,698
Distribution expenses		(22,837)	(26,319)
General and administrative expenses		(21,867)	(35,877)
Other operating expenses		(50)	(6)
Loss allowance on trade and other receivables		(23,576)	(17,284)
Impairment on prepayments made to suppliers		(27,150)	–
Impairment on intangible assets		(12,446)	–
Impairment on goodwill		(19,541)	–

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Loss from operation		(103,908)	(38,655)
Finance costs	<i>5(a)</i>	<u>(1,655)</u>	<u>(1,775)</u>
Loss before taxation	<i>5</i>	(105,563)	(40,430)
Income tax credit	<i>6</i>	<u>1,444</u>	<u>1,375</u>
Loss for the year		<u><u>(104,119)</u></u>	<u><u>(39,055)</u></u>
Attributable to:			
Equity shareholders of the Company		(81,863)	(25,001)
Non-controlling interests		<u>(22,256)</u>	<u>(14,054)</u>
Loss for the year		<u><u>(104,119)</u></u>	<u><u>(39,055)</u></u>
Basic and diluted loss per share (RMB)	<i>8</i>	<u><u>(0.155)</u></u>	<u><u>(0.047)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Loss for the year	<u>(104,119)</u>	<u>(39,055)</u>
Other comprehensive income (loss) for the year (after tax)		
<i>Items that are or may be reclassified to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of subsidiaries	–	(7,589)
Exchange difference on translation of financial statements of overseas operations	<u>16</u>	<u>3,971</u>
	<u>16</u>	<u>(3,618)</u>
Total comprehensive loss for the year	<u><u>(104,103)</u></u>	<u><u>(42,673)</u></u>
Attributable to:		
Equity shareholders of the Company	(81,871)	(28,694)
Non-controlling interests	<u>(22,232)</u>	<u>(13,979)</u>
Total comprehensive loss for the year	<u><u>(104,103)</u></u>	<u><u>(42,673)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		432	851
Intangible assets		10,462	21,011
Right-of-use assets		3,134	–
Goodwill		–	19,541
Deferred tax assets		346	346
		<u>14,374</u>	<u>41,749</u>
Current assets			
Inventories		937	937
Contract assets		16,464	14,387
Trade and other receivables	9	91,498	148,679
Pledged bank deposits		–	174
Cash and cash equivalents		64,766	96,446
		<u>173,665</u>	<u>260,623</u>
Current liabilities			
Trade and other payables	10	23,460	13,209
Contract liabilities		1,042	11,133
Lease liabilities		2,378	–
Interest-bearing borrowings		16,214	28,390
Current taxation		2,781	4,194
		<u>45,875</u>	<u>56,926</u>
Net current assets		<u>127,790</u>	203,697
Total assets less current liabilities		<u>142,164</u>	245,446
Non-current liability			
Lease liabilities		821	–
Net assets		<u>141,343</u>	<u>245,446</u>
Capital and reserves			
Share capital	11	44,711	44,711
Reserves		24,917	106,788
Total equity attributable to equity shareholders of the Company		<u>69,628</u>	151,499
Non-controlling interests		<u>71,715</u>	93,947
Total equity		<u>141,343</u>	<u>245,446</u>

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year:

Annual Improvements to IFRSs	2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Employee Benefits
Amendments to IAS 28	Investments in Associates and Joint Ventures
IFRS 16	Leases

(i) Annual Improvements Project – 2015-2017 Cycle

IFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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

IFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

IAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in IFRS 9.

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

IAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

(ii) IFRIC 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

(iii) Amendments to IAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

(iv) Amendments to IAS 28: Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using IFRS 9.

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

(v) IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 also requires enhanced disclosures to be provided by lessees.

The Group has applied IFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated and continues to be reported under IAS 17.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of IFRS the Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA and applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA;
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA (“short-term leases”) and low-value assets;
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA;
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the DIA. The Group has applied incremental borrowing rate of 5% to the lease liabilities at the DIA.

Reconciliation of operating lease commitments disclosed applying IAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows:

	<i>RMB’000</i>
Operating lease commitments at 31 December 2018	1,672
Discounted using the lessee’s incremental borrowing rate at the DIA	1,628
Less: Short-term leases with remaining lease term ending on or before 31 December 2019	(300)
Lease liabilities as at 1 January 2019	1,328

At the DIA, all right-of-use assets were presented within the line item “right-of-use assets” on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As a result, transfer was made at the DIA to reflect the change in presentation:

	31 December 2018	Impact on initial application of IFRS 16	1 January 2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Assets			
Right-of-use assets	–	1,328	1,328
Liabilities			
Lease liabilities	–	1,328	1,328

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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Software maintenance and other services	93,547	132,260
Sale of software products and other products	8,062	15,505
Others	19	1,326
	101,628	149,091

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
<i>Disaggregated by major products and services</i>		
Software maintenance and other services	93,547	132,260
Sales of software products and other products	8,062	15,505
Revenue from other sources		
Others	19	1,326
	101,628	149,091
Timing of revenue recognition		
At a point in time	8,062	15,505
Over time	93,566	133,586
	101,628	149,091

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

(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”)

(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, 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 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 noncurrent 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 the both years.

(i) Segment results, assets and liabilities

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 2019 and 2018 is set out below:

	Software business		Others		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue						
Revenue from external customers	<u>101,609</u>	<u>147,765</u>	<u>19</u>	<u>1,326</u>	<u>101,628</u>	<u>149,091</u>
Reportable segment revenue	<u>101,609</u>	<u>147,765</u>	<u>19</u>	<u>1,326</u>	<u>101,628</u>	<u>149,091</u>
Reportable segment loss						
Adjusted loss before taxation	<u>(79,784)</u>	<u>(36,468)</u>	<u>(21,158)</u>	<u>(7,503)</u>	<u>(100,942)</u>	<u>(43,971)</u>
Interest income from bank deposits	32	70	-	-	32	70
Interest expenses	1,258	1,392	-	-	1,258	1,392
Depreciation and amortisation for the year	4,516	2,532	14	38	4,530	2,570
Impairment on prepayment made to suppliers	27,150	-	-	-	27,150	-
Impairment on goodwill	19,541	-	-	-	19,541	-
Impairment on intangible assets	12,446	-	-	-	12,446	-
Loss allowance on trade and other receivables	2,983	9,693	20,593	7,591	23,576	17,284
Reportable segment assets	186,177	279,322	589	15,319	186,766	294,641
Additions to non-current segment assets during the year	8,202	5,966	-	-	8,202	5,966
Reportable segment liabilities	<u>40,172</u>	<u>50,946</u>	<u>-</u>	<u>-</u>	<u>40,172</u>	<u>50,946</u>

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>101,628</u>	<u>149,091</u>
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(100,942)	(43,971)
Unallocated head office and corporate (expenses) income	<u>(4,621)</u>	<u>3,541</u>
Consolidated loss before taxation	<u>(105,563)</u>	<u>(40,430)</u>
Assets		
Reportable segment assets	186,766	294,641
Deferred tax assets	346	346
Unallocated head office and corporate assets	<u>927</u>	<u>7,385</u>
Consolidated total assets	<u>188,039</u>	<u>302,372</u>
Liabilities		
Reportable segment liabilities	40,172	50,946
Unallocated head office and corporate liabilities	<u>6,524</u>	<u>5,980</u>
Consolidated total liabilities	<u>46,696</u>	<u>56,926</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, right-of-use assets and goodwill.

	Revenue from external customers		Specified non-current assets	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
PRC	101,609	147,765	13,988	41,337
Hong Kong	<u>19</u>	<u>1,326</u>	<u>40</u>	<u>66</u>
	<u>101,628</u>	<u>149,091</u>	<u>14,028</u>	<u>41,403</u>

For the years ended 31 December 2019 and 2018, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. OTHER INCOME AND GAINS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest income from bank deposits	32	70
Gain on disposal of subsidiaries	–	16,078
Gain on disposal on financial assets at fair value through profit or loss	133	507
Others	69	43
	<u>234</u>	<u>16,698</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

(a) Finance costs

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on interest-bearing borrowings	1,458	1,775
Interest on lease liabilities	197	–
	<u>1,655</u>	<u>1,775</u>

(b) Staff costs

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries, wages and other benefits	27,129	30,090
Contributions to defined contribution retirement schemes	1,308	1,619
	<u>28,437</u>	<u>31,709</u>

(c) **Other items**

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	–	418
Auditors' remuneration		
– Audit-related assurance services	529	675
– Other services	–	551
Depreciation of property, plant and equipment	457	808
Amortisation of intangible assets	1,331	1,802
Depreciation of right-of-use assets	2,742	–
Loss on disposal of property, plant and equipment	4	–
Leases expenses of other premises under short-term leases	974	–
Rental expenses for leases previously classified as operating leases under IAS 17	–	3,986
(Reversal of) Loss allowance on contract assets	(115)	134
	<u> </u>	<u> </u>

6. INCOME TAX CREDIT

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC		
– Provision for the year	(105)	(325)
– Over-provision in respect of prior year	1,549	1,700
	<u> </u>	<u> </u>
	<u>1,444</u>	<u>1,375</u>

7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2019 (2018: 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 2019 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB81,863,000 (2018: approximately RMB25,001,000) and the weighted average of 526,508,982 (2018: 526,508,982) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in issue as at 31 December 2019 (2018: Nil).

9. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Trade receivables, net of loss allowance	<i>(a)</i>	22,866	20,371
Loan receivables from third parties	<i>(b)</i>	23,631	23,208
Loan receivables from a related company	<i>(c)</i>	5,275	-
Less: loss allowance of loan receivables		(28,906)	(8,795)
Loan receivables, net of loss allowance	<i>(d), (e)</i>	<u>–</u>	<u>14,413</u>
Prepayment made to suppliers, net of loss allowance	<i>(f)</i>	48,651	94,108
Deposits and other receivables, net of loss allowance		19,981	19,787
		<u>68,632</u>	<u>113,895</u>
		<u>91,498</u>	<u>148,679</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:

	2019 RMB'000	2018 <i>RMB'000</i>
Within 1 month	12,177	11,181
Over 1 month but less than 3 months	8,061	5,399
Over 3 months but less than 1 year	1,957	2,462
Over 1 year but less than 2 years	459	1,068
Over 2 years	212	261
	<u>22,866</u>	<u>20,371</u>

Trade receivables are generally due within 90 (2018: 90) days from the date of billing.

- (b) As at 31 December 2019, loan receivables were unsecured, carried at fixed interest rate of ranging from 7% to 12% per annum and overdue (2018: (1) loan receivables RMB16,857,000 were unsecured, carried at fixed interest rate of ranging from 8% to 12% per annum and within the respective maturity dates; and (2) remaining loan receivables of RMB7,513,000 were unsecured, carried at fixed interest rate of ranging from 7% to 10% per annum and overdue). The loan receivables were denominated in HK\$.

- (c) The loan from a related company was unsecured, carried fixed interest rate at 10% and is repayable within one year.
- (d) The maturity profile of the loan receivables and net of allowance at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	2019 RMB'000	2018 RMB'000
Repayable		
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	-	14,413
	<u> -</u>	<u> 14,413</u>
	<u> -</u>	<u> 14,413</u>

- (e) 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:

	2019 RMB'000	2018 RMB'000
Within 1 month	-	-
Over 1 month but less than 3 months	-	14,237
Over 3 months but less than 1 year	-	176
	<u> -</u>	<u> 176</u>
	<u> -</u>	<u> 14,413</u>

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

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

As at 31 December 2019, the unutilised prepayments, net of loss allowance amounted to RMB48,651,000 (2018: RMB94,108,000). The directors have reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. The directors consider that there is significant uncertainty on the recovery of certain prepayments. Accordingly, an impairment loss of RMB27,150,000 (2018: Nil) has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 17% (2018: 18%) and 27% (2018: 41%) of the total prepayments made to the Group's largest supplier and the five largest suppliers respectively.

10. TRADE AND OTHER PAYABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables	17,476	7,992
Non-trade payables and accrued expenses	5,171	4,716
Other tax payables	813	501
	<u>23,460</u>	<u>13,209</u>

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

The credit period of trade payables is normally 90 (2018: 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Due within 1 month or on demand	7,564	5,103
Due after 1 month but within 3 months	7,669	2,719
Due after 3 months but within 6 months	2,203	130
Due after 6 months but within 1 year	40	40
	<u>17,476</u>	<u>7,992</u>

11. SHARE CAPITAL

	2019		2018	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:				
At 1 January and 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> <u>44,711,310</u>		<u>RMB equivalent</u> <u>44,711,310</u>

12. EVENTS AFTER REPORTING PERIOD

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

Placing of shares

On 15 January 2020, the Company entered into a placing agreement with a placing agent to place 105,301,796 placing shares at HK\$0.249 per share. The transaction was completed on 4 February 2020 and the number of the issued shares of the Company increased from 526,508,982 shares to 631,810,778 shares. For further details, please refer to the announcement of the Company dated 15 January 2020 and 4 February 2020.

The assessment of the impact of the Coronavirus Disease 2019 (“COVID-19”)

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. To a certain extent of the impact depends on the duration of the epidemic and the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC. Up to the date of issue of the consolidated financial results, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB101,628,000 (2018: RMB149,091,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB93,547,000 (2018: RMB132,260,000); (ii) sale of software products and other products amounted to approximately RMB8,062,000 (2018: RMB15,505,000); and (iii) revenue from other sources amounted to approximately RMB19,000 (2018: RMB1,326,000). The decrease in revenue 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 2019, the Group recorded a gross profit of approximately RMB23,325,000 (2018: RMB24,133,000). The gross profit ratio for the software business of the Group during the year was approximately 23% while that of the last corresponding year was approximately 16%. The increase in gross profit ratio was mainly due to the increase of gross profit margin for returning profitability back to previous years' levels.

Distribution Expenses

For the year ended 31 December 2019, distribution expenses were approximately RMB22,837,000 (2018: RMB26,319,000). 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 2019, general and administrative expenses were approximately RMB21,867,000 (2018: RMB35,877,000). The decrease in general and administrative expenses was mainly due to the decrease in staff costs and forfeiture of an one-off deposit paid for acquisition of a subsidiary.

Impairment on Prepayments Made to Suppliers, Intangible Assets and Goodwill

For the year ended 31 December 2019, the total impairment on prepayments made to suppliers, intangible assets and goodwill were approximately RMB59,137,000 (2018: Nil), which were all contributed by the software business. The software business has been adversely affected by the business environment in the PRC and was projected to generate lower revenue and profit than expected.

Finance Costs

For the year ended 31 December 2019, finance costs were approximately RMB1,655,000 (2018: RMB1,775,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term borrowings during the year.

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2019 of approximately RMB104,119,000 (2018: RMB39,055,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2019, the Group maintained cash and cash equivalents amounted to approximately RMB64,766,000 (2018: RMB96,446,000). As at 31 December 2019, the Group's current ratio was approximately 3.79 times (2018: 4.58 times); and the Group's net gearing ratio as at 31 December 2019 was not applicable (2018: 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 2019, the Group had no pledge of assets (2018: approximately RMB174,000) 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 2019 (2018: 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 2019.

Employees and Remuneration Policies

As at 31 December 2019, the Group employed 116 full time employees (2018: 125). 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 2019, the Group had no significant contingent liability (2018: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB101,628,000 for the year ended 31 December 2019 (2018: RMB149,091,000), representing a decrease of approximately 32%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2018.

The revenue of the software business amounted to approximately RMB101,609,000 for the year ended 31 December 2019 (2018: RMB147,765,000), representing a decrease of approximately 31%. 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, further broadening of client base and implementation of various cost control policies.

With the economic uncertainties caused by the US-China trade dispute and the recent outbreak of COVID-19, it is expected that the Group's software business in PRC will face a massive challenge in the forthcoming year. 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 Thursday, 28 May 2020 ("**2020 AGM**"), the register of members of the Company will be closed from Friday, 22 May 2020 to Thursday, 28 May 2020, 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, 21 May 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, 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 2019.

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 2019, 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 directors should clearly understand delegation arrangements in place, and therefore 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 2019.

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 financial statements of the Group for the year ended 31 December 2019.

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

Hong Kong, 27 March 2020

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.