



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1808

INTERIM REPORT 2020

CONTENTS

	PAGE
CORPORATE INFORMATION	2
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT	8
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT	9
MANAGEMENT DISCUSSION AND ANALYSIS	30
OTHER INFORMATION	35

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Guan Huanfei (*Chairman*)
Bai Xuefei

Independent Non-executive Directors

Liu Jian
Li Wai Kwan
Cai Jinliang

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Bai Xuefei
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Cai Jinliang (*Committee Chairman*)
Liu Jian
Li Wai Kwan

REMUNERATION COMMITTEE

Liu Jian (*Committee Chairman*)
Li Wai Kwan
Guan Huanfei

NOMINATION COMMITTEE

Liu Jian (*Committee Chairman*)
Li Wai Kwan
Guan Huanfei

AUDITOR

Mazars CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B, 11/F
Hing Lung Commercial Building
68-74 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

The board (the “Board”) of directors (the “Directors”) of Enterprise Development Holdings Limited (the “Company”) presents the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019. The unaudited interim financial report has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	<i>Note</i>		
Revenue	4	30,424	40,483
Cost of sales		(23,880)	(32,076)
Gross profit		6,544	8,407
Other revenue		162	159
Distribution expenses		(9,363)	(11,382)
General and administrative expenses		(6,399)	(14,722)
Change in fair value of financial assets at fair value through profit or loss (“FVPL”)		(2,219)	–
Loss from operation		(11,275)	(17,538)
Finance costs	5(a)	(673)	(885)
Loss before taxation	5	(11,948)	(18,423)
Income tax credit	6	72	–
Loss for the period		(11,876)	(18,423)
Attributable to:			
Equity shareholders of the Company		(8,895)	(12,404)
Non-controlling interests		(2,981)	(6,019)
Loss for the period		(11,876)	(18,423)
		RMB	RMB
Basic and diluted loss per share	7	(0.01)	(0.02)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loss for the period	(11,876)	(18,423)
Other comprehensive income (loss) for the period <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on transaction of financial statements of overseas operations	146	(75)
	146	(75)
Total comprehensive loss for the period	(11,730)	(18,498)
Attributable to:		
Equity shareholders of the Company	(8,776)	(12,511)
Non-controlling interests	(2,954)	(5,987)
Total comprehensive loss for the period	(11,730)	(18,498)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Note</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	8	1,327	432
Intangible assets		10,810	10,462
Right-of-use assets	9	1,914	3,134
Deferred tax assets		346	346
		14,397	14,374
Current assets			
Inventories		937	937
Financial assets at FVPL	10	11,090	–
Contract assets		13,963	16,464
Trade and other receivables	11	132,218	91,498
Cash and cash equivalents		11,799	64,766
		170,007	173,665
Current liabilities			
Trade and other payables	12	11,694	23,460
Contract liabilities		910	1,042
Lease liabilities	9	1,413	2,378
Interest-bearing borrowings	13	14,633	16,214
Current taxation		2,676	2,781
		31,326	45,875
Net current assets		138,681	127,790
Total assets less current liabilities		153,078	142,164
Non-current liability			
Lease liabilities	9	560	821
NET ASSETS		152,518	141,343

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Note</i>		
Capital and reserves			
Share capital	14	54,203	44,711
Reserves		29,554	24,917
Total equity attributable to equity shareholders of the Company		83,757	69,628
Non-controlling interests		68,761	71,715
TOTAL EQUITY		152,518	141,343

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company								Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2019	44,711	530,446	(8,440)	8,483	22,997	(446,698)	151,499	93,947	245,446
Changes in equity for the six months ended 30 June 2019									
Loss for the period	-	-	-	-	-	(12,404)	(12,404)	(6,019)	(18,423)
Other comprehensive (loss) income	-	-	-	-	(107)	-	(107)	32	(75)
Total comprehensive loss for the period	-	-	-	-	(107)	(12,404)	(12,511)	(5,987)	(18,498)
Balance at 30 June 2019 (unaudited)	44,711	530,446	(8,440)	8,483	22,890	(459,102)	138,988	87,960	226,948
Balance at 1 January 2020	44,711	530,446	(8,440)	8,483	22,989	(528,561)	69,628	71,715	141,343
Changes in equity for the six months ended 30 June 2020									
Loss for the period	-	-	-	-	-	(8,895)	(8,895)	(2,981)	(11,876)
Other comprehensive income	-	-	-	-	119	-	119	27	146
Total comprehensive income (loss) for the period	-	-	-	-	119	(8,895)	(8,776)	(2,954)	(11,730)
Transactions with owners									
<i>Contributions and distributions</i>									
Issue of new shares, net of expenses (note 14)	9,492	13,413	-	-	-	-	22,905	-	22,905
	9,492	13,413	-	-	-	-	22,905	-	22,905
Balance at 30 June 2020 (unaudited)	54,203	543,859	(8,440)	8,483	23,108	(537,456)	83,757	68,761	152,518

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cash used in operations	(56,957)	(69,357)
PRC income taxes paid	(33)	(296)
Net cash used in operating activities	(56,990)	(69,653)
Net cash used in investing activities	(15,452)	(2,465)
Net cash generated from (used in) financing activities	19,281	(11,418)
Net decrease in cash and cash equivalents	(53,161)	(83,536)
Cash and cash equivalents as at 1 January	64,766	96,446
Effect on exchange rate changes	194	(70)
Cash and cash equivalents as at 30 June	11,799	12,840

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

1. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and were authorized for issue on 28 August 2020.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The unaudited interim financial report and notes thereon do not include all the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by IASB.

The financial information relating to the financial year ended 31 December 2019 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Financial statements for the year ended 31 December 2019 are available from the Company’s principal place of business in Hong Kong.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to IASs 1 and 8	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to IFRS 3	Definition of a Business

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

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

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented one major reportable segment during the six months ended 30 June 2020 and 2019.

Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

3. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment loss is “adjusted loss before taxation”. Adjusted loss before taxation is the Group’s losses before items not specifically attributed to individual segments, such as directors’ and auditor’s remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted loss before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and interest-bearing borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2020 and 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

3. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the period is set out below.

	Software business		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue						
Revenue from external customers	30,289	39,739	135	744	30,424	40,483
Reportable segment revenue	30,289	39,739	135	744	30,424	40,483
Reportable segment loss						
Adjusted loss before taxation	(7,522)	(16,519)	(2,681)	(32)	(10,203)	(16,551)
Interest income from bank deposits	9	24	-	-	9	24
Interest expenses	(404)	(693)	-	-	(404)	(693)
Depreciation and amortisation	(2,234)	(2,715)	(3)	(11)	(2,237)	(2,726)

	Software business		Others		Total	
	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
	Reportable segment assets	166,540	186,177	16,518	589	183,058
Reportable segment liabilities	25,670	40,172	-	-	25,670	40,172
Additions to non-current segment assets during the reporting period	1,682	8,202	589	-	2,271	8,202

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

3. SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	30,424	40,483
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(10,203)	(16,551)
Unallocated head office and corporate expenses	(1,745)	(1,872)
Consolidated loss before taxation	(11,948)	(18,423)
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Assets		
Reportable segment assets	183,058	186,766
Deferred tax assets	346	346
Unallocated head office and corporate assets	1,000	927
Consolidated total assets	184,404	188,039
Liabilities		
Reportable segment liabilities	25,670	40,172
Unallocated head office and corporate liabilities	6,216	6,524
Consolidated total liabilities	31,886	46,696

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

3. SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and right-of-use assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided, or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and right-of-use assets.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
The PRC	30,289	39,739	13,427	13,988
Hong Kong	135	744	624	40
	30,424	40,483	14,051	14,028

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

4. REVENUE

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

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Software maintenance and other services	27,175	38,524
Sales of software products and others	3,114	1,215
Others	135	744
	30,424	40,483

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
(a) Finance costs		
Interest expenses on interest-bearing borrowings wholly repayable within five years	612	784
Interest expenses on lease liabilities	61	101
	673	885
(b) Staff costs		
Salaries, wages and other benefits	10,175	13,226
Contributions to defined contribution retirement schemes	828	1,455
	11,003	14,681
(c) Other items		
Cost of inventories	1,998	965
Amortisation of intangible assets	815	1,118
Depreciation of property, plant and equipment	150	262
Depreciation of right-of-use assets (note 9)	1,272	1,346
Gain on disposal of property, plant and equipment, net	(4)	(1)
Leases expenses under short-term leases	478	347
Loss allowance on other receivables	254	4,723

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax		
PRC Enterprises Income Tax		
Overprovision in previous period	72	–

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

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

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the six months ended 30 June 2020 and 2019 as it was awarded high-technology status by the tax authority.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

6. INCOME TAX CREDIT (continued)

No provision for Hong Kong Profits Tax and the PRC income tax have been made as the Group does not have assessable profits or incurred a loss for taxation purposes for the six months ended 30 June 2020 and 2019.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2020 and 2019.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2020 is based on the loss attributable to equity shareholders of the Company of approximately RMB8,895,000 (six months ended 30 June 2019: RMB12,404,000) and the weighted average of 611,560,432 (six months ended 30 June 2019: 526,508,982) ordinary shares in issue during the interim period.

There were no dilutive potential ordinary shares in issue as at 30 June 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of furniture, fixtures and equipment and motor vehicles with a cost of approximately RMB1,057,000 (six months ended 30 June 2019: RMB52,000). Item of motor vehicles with a net book value of approximately RMB16,000 was disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB18,000), resulting in a gain on disposal of approximately RMB4,000 (six months ended 30 June 2019: RMB1,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	<i>RMB'000</i>
Costs:	
At 1 January 2020	5,515
Additions	52
At 30 June 2020	5,567
Accumulated depreciation:	
At 1 January 2020	2,381
Depreciation for the period	1,272
At 30 June 2020	3,653
Carrying amount	
At 30 June 2019 (Unaudited)	1,914
At 31 December 2019 (Audited)	3,134

Lease liabilities

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current portion	1,413	2,378
Non-current portion	560	821
	1,973	3,199

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

10. FINANCIAL ASSETS AT FVPL

	<i>Note</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Held for trading			
Equity securities listed in Hong Kong	(a)	7,090	–
Others mandatorily measured at FVPL			
Financial products, unlisted	(b)	4,000	–
		11,090	–

Note:

- (a) The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

During the six months ended 30 June 2020, the fair value loss on listed equity securities of RMB2,219,000 (six months ended 30 June 2019: Nil) was recognised in profit or loss.

- (b) As at 30 June 2020, the unlisted financial products were subscribed from a bank in the PRC. These products were redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment. All products were denominated in RMB.

The fair values of these products were reported and provided by the bank. During the six months ended 30 June 2020, no fair value change on these products was recognised in profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables, net of loss allowance	<i>(a)</i>	13,761	22,866
Loan receivables from third parties	<i>(b)</i>	28,680	23,631
Loan receivables from a related company	<i>(c)</i>	5,383	5,275
Less: loss allowance on loan receivables		(29,501)	(28,906)
Loan receivables, net of loss allowance	<i>(d),(e)</i>	4,562	–
Prepayments made to suppliers, net of loss allowance	<i>(f)</i>	44,571	48,651
Deposits and other receivables, net of loss allowance		69,324	19,981
		113,895	68,632
		132,218	91,498

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

Note:

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 month	8,038	12,177
Over 1 month but less than 3 months	1,695	8,061
Over 3 months but less than 1 year	3,496	1,957
Over 1 year but less than 2 years	335	459
Over 2 years	197	212
	13,761	22,866

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES (continued)

Note: (continued)

- (b) As at 30 June 2020, (i) loan receivables of RMB4,562,000 was unsecured, carried at fixed interest rate of 10% per annum and within its maturity date (31 December 2019: Nil); and (ii) loan receivables of RMB24,118,000 (31 December 2019: RMB23,631,000) were unsecured, carried at fixed interest rate of ranging from 7% to 12% per annum and overdue (31 December 2019: the same). The loan receivables were denominated in HK\$.
- (c) The loan from a related company was unsecured, carried fixed interest rate at 8% per annum and overdue (31 December 2019: loan from a related company was unsecured, carried fixed interest rate at 8% per annum and is repayable within one year). The loan receivables were denominated in HK\$.
- (d) The maturity profile of the loan receivables and net of loss allowance at the end of the reporting period, analysed by the remaining periods to their contracted maturity is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Repayable		
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	4,562	-
	4,562	-

- (e) As of the end of the reporting period, the ageing analysis of loan receivables based on loan drawn down date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	4,562	-
	4,562	-

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

12. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables (<i>note</i>)	6,078	17,476
Non-trade payables and accrued expenses	4,976	5,171
Other tax payables	640	813
	11,694	23,460

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

Note: As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Due within 1 month or on demand	1,590	7,564
Due after 1 month but within 3 months	1,088	7,669
Due after 3 months but within 6 months	3,128	2,203
Due after 6 months but within 1 year	232	40
Due after 1 year but within 2 years	40	–
	6,078	17,476

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

13. INTEREST-BEARING BORROWINGS

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Note</i>		
Loan from a third party, unsecured and unguaranteed	(a)	4,562	4,470
Loan from a fellow subsidiary, unsecured and unguaranteed	(b)	5,371	6,744
Banking borrowings, unsecured and guaranteed	(c)	4,700	5,000
		14,633	16,214

Note:

- (a) At 30 June 2020, the loan from a third party is unsecured, carried interest rate of 9% (31 December 2019: 9%) per annum and is repayable within one year.
- (b) At 30 June 2020, the loan from a fellow subsidiary is unsecured, carried interest rate of 10% (31 December 2019: 10%) per annum and is repayable within one year.
- (c) At 30 June 2020, the bank borrowings carried interest at the prevailing interest rate of loan prime rate plus 15 to 20 basis points (31 December 2019: the same). At 30 June 2020, (i) bank borrowings of RMB2,700,000 (31 December 2019: RMB3,000,000) was guaranteed by a subsidiary (31 December 2019: the same); and (ii) bank borrowing of RMB2,000,000 was guaranteed by a third party (31 December 2019: the same). All borrowings are repayable within one year or on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

14. SHARE CAPITAL

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	No. of shares	HK\$	No. of shares	HK\$
Authorised:				
At beginning of period/year and at end of the period/year Ordinary shares of HK\$0.1 each	10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
Issued and fully paid:				
At beginning of period/year Ordinary shares of HK\$0.1 each	526,508,982	52,650,898	526,508,982	52,650,898
Issue of new shares (note)	105,301,796	10,530,180	-	-
At end of the period/year				
Ordinary shares of HK\$0.1 each	631,810,778	63,181,078	526,508,982	52,650,898
	<i>RMB equivalent</i>		<i>RMB equivalent</i>	
	54,202,687		44,711,310	

Note: On 4 February 2020, the Company allotted and issued an aggregate of 105,301,796 shares at a placing price of HK\$0.249 per share to not less than six places for cash. The net proceeds of approximately RMB22,905,000 (equivalent to HK\$25,410,000) received and approximately RMB1,352,000 (equivalent to HK\$1,500,000) was used for repayment of interest-bearing borrowings, approximately RMB2,930,000 (equivalent to HK\$3,250,000) was used for general working of the Group; approximately RMB13,521,000 (equivalent to HK\$15,000,000) was used as part of deposit payment for a development project; and the remaining proceeds of approximately RMB5,102,000 (equivalent to HK\$5,660,000) will be used for general working capital and daily operations of the Group. The closing market price of the Company's shares as at the issue date was HK\$0.34 per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these unaudited interim financial report on recurring basis at 30 June 2020 across the three levels of the fair value hierarchy defined in IFRS 13, Fair value measurement, with the fair value measurement categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(a) Recurring fair value measurement

	30 June 2020	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)			
Assets measured at fair value				
Financial assets at FVPL				
– Listed equity securities	7,090	7,090	-	-
– Financial products, unlisted	4,000	-	-	4,000
	11,090	7,090	-	4,000

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Recurring fair value measurement (continued)

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are as follows:

Movements in Level 3 fair value measurements

Six months period ended 30 June 2020

Description	Financial assets at FVPL – Financial products, unlisted RMB'000
As at 1 January 2020 (Audited)	–
Initial recognition	10,000
Disposal	(6,000)
At as 30 June 2020 (Unaudited)	4,000

The above fair value changes are reported as “changes in fair value of financial assets at FVPL” in the unaudited consolidated statement of profit or loss.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

The unlisted financial products’ investment portfolio mainly comprises investment in debentures, bank debentures, bank saving, corporate bonds, listed securities and other investments in the PRC and global market with high credit rating (the “Investment”) and the fair value of the Investment is reported by a financial institution.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Recurring fair value measurement (continued)

Movements in Level 3 fair value measurements (continued)

Valuation processes of the Group

The Group reviews estimation of fair values of the unlisted financial products which is categorised into Level 3 of the fair value hierarchy. Reports with estimation of fair value are prepared by a financial institution on a monthly basis. Discussion of the valuation process and results with those charged with governance is held twice a year, to coincide with the reporting dates.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2020 and 31 December 2019.

16. COMMITMENTS

(a) Capital commitments

The Group has capital commitments in respect of capital injection of a subsidiary in the PRC amounted to approximately RMB10,000,000 as at 30 June 2020 and 31 December 2019.

(b) Commitments under leases

At 30 June 2020, the Group was committed to RMB451,000 (31 December 2019: RMB296,000) for short-term leases and low value assets (31 December 2019: short-term leases).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

Six months ended 30 June 2020

17. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Related party relationship	Nature of transaction	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Fellow subsidiary	Loan interest expenses	296	–

- (b) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Short-term employee benefits	758	613
Post-employment benefits	11	13
	769	626

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB30,424,000 (six months ended 30 June 2019: RMB40,483,000), of which revenue from (i) software maintenance and other services amounted to approximately RMB27,175,000 (six months ended 30 June 2019: RMB38,524,000); and (ii) sales of software products and others amounted to approximately RMB3,114,000 (six months ended 30 June 2019: RMB1,215,000). The decrease in overall revenue for the software business was due to the outbreak of coronavirus disease 2019 (“COVID-19”). COVID-19 has brought a negative impact in overall market sentiment and the Group’s financial performance in the first half of the year 2020 was adversely affected. The COVID-19 has posed significant challenges to the Group’s business activities and has caused operational delays to some extent.

Gross Profit

For the six months ended 30 June 2020, the Group recorded a gross profit of approximately RMB6,544,000 (six months ended 30 June 2019: RMB8,407,000). The gross profit ratio for the software business of the Group during the period was approximately 21% while that of the corresponding period in 2019 was approximately 19%. The increase in gross profit ratio was mainly due to the increase in proportion for sale of self-developed products which have higher gross profit margin.

Finance Costs

For the six months ended 30 June 2020, finance costs was approximately RMB673,000 (six months ended 30 June 2019: RMB885,000). The decrease in finance costs was due to the decrease in interest expenses on interest-bearing borrowings.

General and Administrative Expenses

For the six months ended 30 June 2020, the general and administrative expenses of the Group were approximately RMB6,399,000 (six months ended 30 June 2019: RMB14,722,000). The decrease in general and administrative expense was attributable to the decrease in staff cost.

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

The Group invested in various financial instruments for short-term investments, included the equity securities listed in Hong Kong and financial products issued by a bank in the PRC. During the six months ended 30 June 2020, the change in fair value on financial assets at fair value through profit or loss of approximately RMB2,219,000 was recognised in profit or loss (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Period

For the six months ended 30 June 2020, the Group recorded a loss for the period of approximately RMB11,876,000 (six months ended 30 June 2019: RMB18,423,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2020, the Group maintained cash and cash equivalents amounting to approximately RMB11,799,000 (31 December 2019: RMB64,766,000). As at 30 June 2020, the Group's current ratio was approximately 5.43 times (31 December 2019: 3.79 times); and the Group's net gearing ratio at 30 June 2020 was 1.86% (31 December 2019: not applicable since the Group had cash in excess of interest-bearing borrowings).

Foreign Exchange

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

Pledge of Assets

As at 30 June 2020 and 31 December 2019, the Group had no pledge of assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings.

Capital Structure

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

MANAGEMENT DISCUSSION AND ANALYSIS

On 15 January 2020, the Company entered into a placing agreement with the placing agent (the “Placing Agreement”), pursuant to which the placing agent conditionally agreed to procure on a best effort basis to not less than six placees, who are professional institutional or other investor independent of and not connected with the Company, the connected persons of the Company and their respective associates procured by or on behalf of the placing agent to subscribe for up to 105,301,796 new ordinary shares of the Company at par value of HK\$0.10 each with nominal value of approximately HK\$10,530,180 at the placing price of HK\$0.249 per placing share (the “Placing”). The placing price of HK\$0.249 per placing share represents a discount of approximately 18.89% to the closing price of HK\$0.307 per share of the Company as quoted on the Stock Exchange on 15 January 2020, being the date of the Placing Agreement. The reason of carry out the Placing was to strengthen the Group’s financial position and enlarge the shareholder base and the capital base of the Company.

All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 4 February 2020. A total of 105,301,796 placing shares were successfully allotted and issued to not less than six placees at the price of HK\$0.249 per share. The 105,301,796 placing shares represented approximately 16.67% of the issued share capital of Company as enlarged by the allotment and issue of the placing shares. The gross proceeds from the Placing were approximately RMB23,633,000 (equivalent to HK\$26,220,000) and the net proceeds were approximately RMB22,905,000 (equivalent to HK\$25,410,000 and a net placing price of approximately HK\$0.243 per placing share) (after deduction of commission and other expenses of the placing). The net proceeds from the Placing were used as (i) approximately RMB1,352,000 (equivalent to HK\$1,500,000) for repayment of interest-bearing borrowings; (ii) approximately RMB2,930,000 (equivalent to HK\$3,250,000) for general working capital of the Group; and (iii) approximately RMB13,521,000 (equivalent to HK\$15,000,000) as part of deposit payment for a development project as at 30 June 2020. The remaining proceeds of approximately RMB5,102,000 (equivalent to HK\$5,660,000) will be used for general working capital and daily operations of the Group in the coming years.

For the details of the Placing, please refer to the announcements of the Company dated 15 January 2020 and 4 February 2020.

Significant Investments

The Group has no any significant investment as at 30 June 2020.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The Group has not made any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent Event

The Group has no material event after the end of the reporting period and up to date of this report.

Employees and Remuneration Policies

As at 30 June 2020, the Group employed 93 (30 June 2019: 133) full time employees. Total employee benefits (including Directors' remuneration) were approximately RMB11,772,000 for the six months ended 30 June 2020. The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 30 June 2020, there was no significant contingent liability (31 December 2019: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB30,424,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB40,483,000), representing a decrease of approximately 25%. The decrease in overall revenue for the software business was due to the outbreak of COVID-19. COVID-19 has brought a negative impact in overall market sentiment and the Group's financial performance in the first half of the year 2020 was adversely affected. The COVID-19 has posed significant challenges to the Group's business activities and has caused operational delays to some extent.

During the period from 4 March 2020 to 31 March 2020, the Company has acquired from the market of an aggregate of 26,340,000 shares of China Nuclear Energy Technology Corporation Limited ("China Nuclear"), a company listed on the Main Board of the Stock Exchange (Stock code: 611) at a total purchase price of approximately RMB9,296,000 (equivalent to HK\$10,255,000) (exclusive of transaction costs). The average price (exclusive of transaction costs) for each share of China Nuclear was approximately HK\$0.389 and the total purchase price was approximately RMB9,296,000 (equivalent to HK\$10,255,000) (exclusive of transaction costs), which was paid in cash from the internal resources of the Company. The purchase of shares of China Nuclear constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For details, please refer to the announcement of the Company dated 11 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

As impacted by the spreading of COVID-19, the economic conditions of Mainland China and the world slowed down sharply. Mainland China and many other countries implemented lockdowns and social distancing measures for protecting the society in response to the outbreak of COVID-19 pandemic, which caused a plenitude of challenges and uncertainties in the global economic environment. To lower the negative impact from the outbreak of COVID-19, the Group's management has closely monitored the market conditions in the PRC and has put in place certain contingency measures such as remote working of employees. However, the impact of COVID-19 on economic activities was far beyond expectation and resulted in a decrease of 25% in the consolidated revenue of the Group for the first half of 2020 as compared with the same period of 2019. Despite the decrease in revenue, the Group is looking to improve its profit margin in the software maintenance services. Therefore, it is repositioning its products in terms of lowering the cost of sales.

In order to maintain the Group's sustainability and value creation capability over the long term, the Group will try to maintain its competitiveness through introduction of new products and services, and will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to the shareholders of the Company.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

Change in the Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Change
Mr. Li Wai Kwan <i>Independent non-executive Director</i>	He has resigned as an independent non-executive director of China Greenfresh Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 6183), on 5 June 2020

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2020, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, so far as is known to any Director or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

OTHER INFORMATION

INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Long position/ Short position	Number of shares held/percentage in total number of issued shares
China Taiping Insurance Holdings Company Limited ("China Taiping") <i>(Note 1)</i>	Person having a security interest in shares	Long Position	203,854,292 (32.27%)
Taiping Financial Holdings Company Limited ("Taiping Financial") <i>(Note 1)</i>	Person having a security interest in shares	Long position	203,854,292 (32.27%)
China Insurance Group Finance Company Limited ("China Insurance") <i>(Note 1)</i>	Person having a security interest in shares	Long position	203,854,292 (32.27%)
King Pak Fu ("Mr. King") <i>(Note 2)</i>	Interest of controlled corporations	Long position	278,351,792 (44.06%)
		Short position	203,854,292 (32.27%)
Luck Success Development Limited ("Luck Success") <i>(Note 2)</i>	Beneficial owner	Long position	186,672,292 (29.55%)
		Short position	186,672,292 (29.55%)
Rentian Technology Holdings Limited ("Rentian") <i>(Note 2)</i>	Interest of controlled corporations	Long position	203,854,292 (32.27%)
		Short position	203,854,292 (32.27%)

OTHER INFORMATION

INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. China Insurance is wholly-owned by Taiping Financial which in turn is wholly-owned by China Taiping. Therefore, China Taiping is deemed to be interested in the Shares held by Taiping Financial and China Insurance pursuant to the SFO.
2. Pursuant to the SFO, Mr. King is deemed to be interested in (i) 60,435,500 shares of the Company held through Affluent Start Holdings Investment Limited (“Affluent Start”); (ii) 3,846,000 shares of the Company held through Mystery Idea Limited (“Mystery Idea”); (iii) 10,216,000 shares held through Elite Mile Investments Limited (“Elite Mile”); (iv) 17,182,000 shares of the Company held through Sino Wealthy Limited; and (v) long position and short position in the shares of the Company held through Luck Success pursuant to the SFO. Each of Affluent Start, Mystery Idea and Elite Mile is wholly-owned by Mr. King. Sino Wealthy Limited is wholly-owned by Bremwood Holdings Limited, both of Bremwood Holdings Limited and Luck Success are wholly-owned by Gauteng Focus Limited, which is wholly-owned by Rentian, the latter is indirectly controlled by Mr. King as at 30 June 2020.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of Part XV of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2020.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) at the annual general meeting of the Company held on 26 May 2016. Details of the Scheme are set out in the circular of the Company dated 25 April 2016. Pursuant to the Scheme, the Board may, at its discretion, grant options to any Directors or eligible parties (as defined in the Scheme) for subscription of the Company’s shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the Scheme and up to date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

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 six months ended 30 June 2020, 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.2.1, A.4.1, A.5.1 and D.1.4, which are explained below.

Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the retirement of Mr. Lam Kai Tai (“Mr. Lam”) as the chairman the Board (the “Chairman”) with effect from the conclusion of the annual general meeting of the Company held on 28 May 2020, the role and functions of Chairman and the chief executive officer of the Company (the “Chief Executive Officer”) have been performed by the executive Director. As it took time for the Company to identify a suitable candidate to perform the role of the Chairman and the Chief Executive Officer, the Chairman remained vacant until the appointment of Mr. Guan Huanfei as the Chairman on 2 June 2020. The Board will continually review its current structure and the need of appointment of a suitable person to perform the role of Chief Executive Officer.

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 (“Ms. Hu”), former independent non-executive Director who resigned on 17 June 2020, expired in year 2013 and thereafter she was not appointed for a specific term, but she was subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the “Articles”).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES (continued)

Code provision A.5.1 stipulated that the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Ms. Hu as a member of the nomination committee of the Company (the “Nomination Committee”) on 17 June 2020, the composition of the Nomination Committee was also not in compliance with the code provision A.5.1 of the CG Code, until the Company appointed Mr. Cai Jinliang (“Mr. Cai”) as a member of the Nomination Committee on 24 August 2020.

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, the former chairman of the Board and executive Director who retired with effect from the conclusion of the annual general meeting of the Company held on 28 May 2020, and Ms. Hu. However, they were 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.

OTHER INFORMATION

NON-COMPLIANCE WITH RULES 3.10(1), 3.21 AND 3.25 OF THE LISTING RULES

Following the resignation of Ms. Hu as independent non-executive Director on 17 June 2020, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the Audit Committee and Rule 3.25 of the Listing Rules with regard to the composition requirement of the remuneration committee of the Company (the “Remuneration Committee”).

Following the appointment of Mr. Cai as independent non-executive Director on 24 August 2020, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21 and 3.25 of the Listing Rules with regard to the composition of the Audit Committee and the Remuneration Committee respectively.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Jian, Mr. Li Wai Kwan and Mr. Cai (as committee chairman). 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 unaudited interim financial results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

By Order of the Board
Enterprise Development Holdings Limited
Mr. Guan Huanfei
Chairman

Hong Kong, 28 August 2020