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ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

企展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Enterprise Development Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	<i>3(a)</i>	70,839	101,628
Cost of sales		(53,261)	(78,303)
Gross profit		17,578	23,325
Other income and gains	<i>4</i>	862	234
Distribution expenses		(19,486)	(22,837)
General and administrative expenses		(17,305)	(21,867)
Other operating expenses		(7)	(50)
Change in fair value of financial assets at fair value through profit or loss (“ FVPL ”)		3,696	–
Loss allowance on trade and other receivables, net		(975)	(23,576)
Impairment on prepayment made to suppliers		–	(27,150)
Impairment on intangible assets		(8,215)	(12,446)
Impairment on goodwill		–	(19,541)

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss from operation		(23,852)	(103,908)
Finance costs	<i>5(a)</i>	<u>(1,223)</u>	<u>(1,655)</u>
Loss before taxation	<i>5</i>	(25,075)	(105,563)
Income tax (expense) credit	<i>6</i>	<u>(247)</u>	<u>1,444</u>
Loss for the year		<u>(25,322)</u>	<u>(104,119)</u>
Attributable to:			
Equity shareholders of the Company		(16,833)	(81,863)
Non-controlling interests		<u>(8,489)</u>	<u>(22,256)</u>
Loss for the year		<u>(25,322)</u>	<u>(104,119)</u>
		<i>RMB</i>	<i>RMB</i>
Basic and diluted loss per share	<i>8</i>	<u>(0.026)</u>	<u>(0.155)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year	<u>(25,322)</u>	<u>(104,119)</u>
Other comprehensive (loss) income for the year (after tax)		
<i>Items that are or may be reclassified to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas operations	<u>(1,555)</u>	<u>16</u>
	<u>(1,555)</u>	<u>16</u>
Total comprehensive loss for the year	<u><u>(26,877)</u></u>	<u><u>(104,103)</u></u>
Attributable to:		
Equity shareholders of the Company	(18,349)	(81,871)
Non-controlling interests	<u>(8,528)</u>	<u>(22,232)</u>
Total comprehensive loss for the year	<u><u>(26,877)</u></u>	<u><u>(104,103)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,022	432
Intangible assets		1,169	10,462
Right-of-use assets		2,642	3,134
Goodwill		–	–
Deferred tax assets		346	346
		<hr/> 5,179	<hr/> 14,374
Current assets			
Inventories		937	937
Financial assets at FVPL	<i>9</i>	10,236	–
Contract assets		12,822	16,464
Trade and other receivables	<i>10</i>	61,429	91,498
Cash and cash equivalents		99,922	64,766
		<hr/> 185,346	<hr/> 173,665
Current liabilities			
Trade and other payables	<i>11</i>	10,104	23,460
Contract liabilities		6,801	1,042
Lease liabilities		1,637	2,378
Interest-bearing borrowings		9,818	16,214
Current taxation		3,293	2,781
		<hr/> 31,653	<hr/> 45,875
Net current assets		<hr/> 153,693	<hr/> 127,790
Total assets less current liabilities		<hr/> 158,872	<hr/> 142,164

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability			
Lease liabilities		<u>771</u>	<u>821</u>
NET ASSETS		<u>158,101</u>	<u>141,343</u>
Capital and reserves			
Share capital	<i>12</i>	64,905	44,711
Reserves		<u>30,009</u>	<u>24,917</u>
Total equity attributable to equity shareholders of the Company		94,914	69,628
Non-controlling interests		<u>63,187</u>	<u>71,715</u>
TOTAL EQUITY		<u>158,101</u>	<u>141,343</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

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 2020 but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. CHANGES IN ACCOUNTING POLICIES

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

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

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across IFRSs.

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

Amendments to IAS 39, IFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

Amendments to IFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of integrated business software solutions.

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Software maintenance and other services	43,442	93,547
Sale of software license and other products	27,088	8,062
Others	309	19
	<u>70,839</u>	<u>101,628</u>

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

	2020 <i>RMB'000</i>	2019 <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	43,442	93,547
Sale of software license and other products	27,088	8,062
Revenue from other sources		
Others	309	19
	<u>70,839</u>	<u>101,628</u>
Timing of revenue recognition		
At a point in time	27,088	8,062
Over time	43,751	93,566
	<u>70,839</u>	<u>101,628</u>

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c) to these consolidated financial statements.

(b) Segment reporting

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented the following one major reportable segment. No operating segments have been aggregated to form the following reportable segments.

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

In addition, other unreportable segment (money lending and security trading) are aggregated and presented as "Others".

(i) Segment results, assets and liabilities

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

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

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

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

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

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in both years.

Information regarding the Group's major reportable segment as provided to the Board for the purposes of resource allocation and assessment performance for the years ended 31 December 2020 and 2019 is set out below:

	Software Business		Others		Total	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue						
Revenue from external customers	<u>70,530</u>	101,609	<u>309</u>	19	<u>70,839</u>	101,628
Reportable segment revenue	<u>70,530</u>	101,609	<u>309</u>	19	<u>70,839</u>	101,628
Reportable segment loss						
Adjusted loss before taxation	<u>(25,524)</u>	(79,784)	<u>7,832</u>	(21,158)	<u>(17,692)</u>	(100,942)
Change in fair value of financial assets at FVPL	-	-	(3,696)	-	(3,696)	-
Depreciation and amortisation for the year	3,467	4,516	115	14	3,582	4,530
Impairment on goodwill	-	19,541	-	-	-	19,541
Impairment on intangible assets	8,215	12,446	-	-	8,215	12,446
Impairment on prepayments made to suppliers	-	27,150	-	-	-	27,150
Interest expenses	840	1,258	-	-	840	1,258
Loss allowance (Reversal of loss allowance) on trade and other receivables	6,182	2,983	(5,257)	20,593	925	23,576
Reportable segment assets	157,924	186,177	31,265	589	189,189	186,766
Additions to non-current segment assets during the year	3,223	8,202	-	-	3,223	8,202
Reportable segment liabilities	<u>25,776</u>	40,172	<u>-</u>	<u>-</u>	<u>25,776</u>	40,172

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>70,839</u>	<u>101,628</u>
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(17,692)	(100,942)
Unallocated head office and corporate expenses	<u>(7,383)</u>	<u>(4,621)</u>
Consolidated loss before taxation	<u>(25,075)</u>	<u>(105,563)</u>
Assets		
Reportable segment assets	189,189	186,766
Deferred tax assets	346	346
Unallocated head office and corporate assets	<u>990</u>	<u>927</u>
Consolidated total assets	<u>190,525</u>	<u>188,039</u>
Liabilities		
Reportable segment liabilities	25,776	40,172
Unallocated head office and corporate liabilities	<u>6,648</u>	<u>6,524</u>
Consolidated total liabilities	<u>32,424</u>	<u>46,696</u>

(c) **Geographic information**

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

	Revenue from external customers		Specified non-current assets	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The PRC	70,530	101,609	4,356	13,988
Hong Kong	309	19	477	40
	<u>70,839</u>	<u>101,628</u>	<u>4,833</u>	<u>14,028</u>

For the years ended 31 December 2020 and 2019, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. **OTHER INCOME AND GAINS**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gain on disposal on financial assets at FVPL	536	133
Others	326	101
	<u>862</u>	<u>234</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

(a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on interest-bearing borrowings	1,112	1,458
Interest on lease liabilities	111	197
	<u>1,223</u>	<u>1,655</u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	22,442	25,301
Contributions to defined contribution retirement schemes	1,880	3,136
Share-based payment in respect of share options	2,760	–
	<u>27,082</u>	<u>28,437</u>

(c) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration	625	529
Amortisation of intangible assets	1,078	1,331
Depreciation of property, plant and equipment	348	457
Depreciation of right-of-use assets	2,156	2,742
Leases expenses of other premises under short term leases	889	974
(Gain) Loss on disposal of property, plant and equipment	(96)	4
Loss allowance (Reversal of loss allowance) on contract assets	455	(115)
	<u>455</u>	<u>(115)</u>

6. INCOME TAX EXPENSES (CREDIT)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – the PRC		
Provision for the year	341	105
Over provision in respect of prior year	<u>(94)</u>	<u>(1,549)</u>
	<u>247</u>	<u>(1,444)</u>

7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2020 (2019: 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 2020 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB16,833,000 (2019: approximately RMB81,863,000) and the weighted average of 637,564,974 (2019: 526,508,982) ordinary shares in issue during the year.

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

9. FINANCIAL ASSETS AT FVPL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	<u>10,236</u>	<u>–</u>

Subsequent the end of the reporting period, the Group has disposed of certain listed equity securities for an aggregate cash consideration of RMB8,484,000 (approximately HK\$10,170,000) and recorded a realised gain of RMB2,311,000 (approximately HK\$2,770,000). Details of disposal are set out in the Company's announcements dated 20 January 2021, 21 January 2021 and 26 January 2021 respectively.

10. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables, net of loss allowance	<i>(a)</i>	<u>18,868</u>	<u>22,866</u>
Loan receivables from third parties	<i>(b)</i>	25,103	23,631
Loan receivables from a related company		–	5,275
Less: loss allowance of loan receivables		<u>(22,291)</u>	<u>(28,906)</u>
Loan receivables, net of loss allowance	<i>(c)-(d)</i>	<u>2,812</u>	<u>–</u>
Prepayments made to suppliers, net of impairment	<i>(e)</i>	32,057	48,651
Deposits and other receivables, net of loss allowance		<u>7,692</u>	<u>19,981</u>
		<u>39,749</u>	<u>68,632</u>
		<u>61,429</u>	<u>91,498</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	11,059	12,177
Over 1 month but less than 3 months	4,739	8,061
Over 3 months but less than 1 year	3,070	1,957
Over 1 year but less than 2 years	–	459
Over 2 years	<u>–</u>	<u>212</u>
	<u>18,868</u>	<u>22,866</u>

(b) At 31 December 2020, (1) loan receivable of RMB2,812,000 was unsecured, carried at fixed interest rate of 10% per annum and within the maturity date; and (2) remaining loan receivables of RMB22,291,000 (2019: RMB28,960,000) were unsecured, carried at fixed interest rates of ranging from 7% to 12% (2019: 7% to 12%) per annum and overdue. All loan receivables were denominated in HK\$.

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable		
Within 1 month	2,812	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	–	–
	<u>–</u>	<u>–</u>
	<u>2,812</u>	<u>–</u>

(d) 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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	2,812	–
	<u>–</u>	<u>–</u>
	<u>2,812</u>	<u>–</u>

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

11. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	3,808	17,476
Non-trade payables and accrued expenses	5,064	5,171
Other tax payables	1,232	813
	<u>10,104</u>	<u>23,460</u>

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

The credit period of trade payables is normally within 90 (2019: 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Due within 1 month or on demand	480	7,564
Due after 1 month but within 3 months	3,118	7,669
Due after 3 months but within 6 months	200	2,203
Due after 6 months but within 1 year	10	40
	<u>3,808</u>	<u>17,476</u>

12. SHARE CAPITAL

	2020	Amount	2019	Amount
	Number of shares	<i>HK\$</i>	Number of shares	<i>HK\$</i>
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	526,508,982	52,650,898	526,508,982	52,650,898
Issue of new shares (<i>note (i)</i>)	105,301,796	10,530,180	–	–
Issue of new shares (<i>note (ii)</i>)	<u>126,362,155</u>	<u>12,636,215</u>	–	–
At 31 December	<u>758,172,933</u>	<u>75,817,293</u>	<u>526,508,982</u>	<u>52,650,898</u>
		RMB equivalent		RMB equivalent
		<u>64,904,550</u>		<u>44,711,310</u>

Notes:

- (i) 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 RMB8,032,000 (equivalent to HK\$8,910,000) was used for general working capital of the Group; approximately RMB13,521,000 (equivalent to HK\$15,000,000) was used as part of deposit payment for a development project. The closing market price of the Company's shares as at the issue date was HK\$0.34 per share.
- (ii) On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a placing price of HK\$0.168 per share to an independent third party for cash. The net proceeds of approximately RMB17,970,000 (equivalent to HK\$21,128,000) received and approximately RMB4,678,000 (equivalent to HK\$5,500,000) was used for loan financing business, approximately RMB1,276,000 (equivalent to HK\$1,500,000) was used for general working capital of the Group; and the remaining proceeds of approximately RMB12,016,000 (equivalent to HK\$14,128,000) will be used for general working capital for improvement of the Company's professional technical services capabilities to facilitate the long term business development of the Group, and further investments of the Group as and when the opportunities arise. The closing market price of the Company's shares as at the issue date was HK\$0.185 per share.

13. EVENTS AFTER THE REPORTING PERIOD

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

Proposed rights issue

The Company proposed to implement a rights issue on the basis of one rights share for every two existing shares of the Company at the subscription price of HK\$0.12 per rights share, to raise up to approximately HK\$46,200,000 after deducting expenses. Details of rights issue is set out in the announcements of the Company dated 19 February 2021 and 24 March 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB70,839,000 (2019: RMB101,628,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB43,442,000 (2019: RMB93,547,000); (ii) sale of software license and other products amounted to approximately RMB27,088,000 (2019: RMB8,062,000); and (iii) revenue from other sources amounted to approximately RMB309,000 (2019: RMB19,000). The decrease in overall revenue for the software business was due to the outbreak of coronavirus disease 2019 (“**COVID-19**”). The COVID-19 has brought a negative impact in overall market sentiment and the Group’s financial performance in 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 year ended 31 December 2020, the Group recorded a gross profit of approximately RMB17,578,000 (2019: RMB23,325,000). The gross profit ratio for the software business of the Group during the year was approximately 25% while that of the last corresponding year was approximately 23%. 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.

Distribution Expenses

For the year ended 31 December 2020, distribution expenses were approximately RMB19,486,000 (2019: RMB22,837,000). 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 2020, general and administrative expenses were approximately RMB17,305,000 (2019: RMB21,867,000). The decrease in general and administrative expense was mainly attributable to the decrease in legal and professional fee.

Impairment on Prepayments Made to Suppliers, Intangible Assets and Goodwill

For the year ended 31 December 2020, an impairment on intangible assets approximately RMB8,215,000 (2019: total impairment on prepayments made to suppliers, intangible assets and goodwill approximately RMB59,137,000) were 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 2020, finance costs were approximately RMB1,223,000 (2019: RMB1,655,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term interest-bearing borrowings during the year.

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

The Group invested in a financial instrument for short-term investments, included the equity securities listed in Hong Kong. During year ended 31 December 2020, the change in fair value of financial assets at fair value through profit or loss of approximately RMB3,696,000 was recognised in profit or loss (2019: Nil).

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2020 of approximately RMB25,322,000 (2019: RMB104,119,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2020, the Group maintained cash and cash equivalents amounted to approximately RMB99,922,000 (2019: RMB64,766,000). As at 31 December 2020, the Group's current ratio was approximately 5.86 times (2019: 3.79 times); and the Group's net gearing ratio as at 31 December 2020 was not applicable (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 31 December 2020 and 2019, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

Capital Structure

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

On 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 RMB8,032,000 (equivalent to HK\$8,910,000) 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 during the year.

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

On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a subscription price of HK\$0.168 per share to an independent third party for cash upon completion of the subscription pursuant to the subscription agreement dated 30 September 2020. The net proceeds of approximately RMB17,970,000 (equivalent to HK\$21,128,000) received and approximately RMB4,678,000 (equivalent to HK\$5,500,000) was used for loan financing business, approximately RMB1,276,000 (equivalent to HK\$1,500,000) was used for general working of the Group; and the remaining proceeds of approximately RMB12,016,000 (equivalent to HK\$14,128,000) will be used for general working capital, for improvement of the Company's professional technical services capabilities to facilitate the long term business development of the Group, and further investments of the Group as and when the opportunities arise. The closing market price of the Company's shares as at the issue date was HK\$0.185 per share.

For the details of the subscription, please refer to the announcements of the Company dated 30 September 2020, 21 October 2020 and 17 November 2020 respectively.

Subsequent Event

Other than disclosed in note 13 to this announcement, the Group has no material event after the end of the reporting period and up to date of this announcement.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2020 (2019: 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 2020.

Employees and Remuneration Policies

As at 31 December 2020, the Group employed 108 (2019: 116) full time employees. The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liability (2019: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB70,839,000 for the year ended 31 December 2020 (2019: RMB101,628,000), representing a decrease of approximately 30%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2019.

The revenue of the software business amounted to approximately RMB70,530,000 for the year ended 31 December 2020 (2019: RMB101,609,000), 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. In addition, the decrease was also due to the outbreak of COVID-19 in late 2019 and the ongoing epidemic which led to an overall erosion in market sentiment.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

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

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 30% in the consolidated revenue of the Group for 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, 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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 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 of the CG Code, which are explained below.

Code provision A.2.1 stipulates 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 (“**2020 AGM**”), the role and functions of Chairman and the chief executive officer of the Company (the “**Chief Executive Officer**”) have been performed by the executive Directors. 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**”).

Code provision A.5.1 stipulates 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 appointment of Mr. Cai Jinliang as a member of the Nomination Committee on 24 August 2020.

Code provision D.1.4 of the CG Code requires that listed issuers 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 2020 AGM, 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.

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 2020.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2020. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

AUDIT COMMITTEE

The Company established the 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 the Company's financial information, to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group.

Following the resignation of Mr. Liu Jian as an independent non-executive Director and cessation as a member of the Audit Committee with effect from 25 March 2021, the Audit Committee comprises only two independent non-executive Directors, Mr. Cai Jinliang (chairman) and Mr. Hui Yat On, which failed to meet the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members.

The financial statements of the Group for the year ended 31 December 2020 have been reviewed by the remaining two members of the Audit Committee, and approved by the Board on 30 March 2021.

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

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Guan Huanfei (Chairman) and Ms. Mao Junjie, and two independent non-executive Directors, namely Mr. Cai Jinliang and Mr. Hui Yat On.