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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 2016

#### ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”, each a “Director”) of Enterprise Development Holdings Limited (the “Company”) announces the consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	3	389,723	419,706
Cost of sales		<u>(383,408)</u>	<u>(304,661)</u>
Gross profit		6,315	115,045
Other revenue	4	4,547	2,487
Other net losses	5	(1,566)	(4,204)
Distribution expenses		(25,458)	(26,475)
General and administrative expenses		(47,742)	(67,717)
Other operating expenses		(17)	(144)
Impairment loss on available-for-sale securities		(41,078)	—
Impairment loss on goodwill		<u>(189,810)</u>	<u>—</u>
(Loss)/profit from operations		(294,809)	18,992
Share of results of an associate		1,333	—
Finance costs	6(i)	<u>(3,109)</u>	<u>(2,600)</u>
(Loss)/profit before taxation	6	(296,585)	16,392
Income tax expense	7	<u>(8,699)</u>	<u>(3,041)</u>
<b>(Loss)/profit for the year</b>		<b><u>(305,284)</u></b>	<b><u>13,351</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		(321,009)	7,436
Non-controlling interests		<u>15,725</u>	<u>5,915</u>
<b>(Loss)/profit for the year</b>		<b><u>(305,284)</u></b>	<b><u>13,351</u></b>
<b>Basic and diluted (losses)/earnings per share (RMB)</b>	9	<b><u>(0.797)</u></b>	<b><u>0.029</u></b>

(Restated)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>(Loss)/profit for the year</b>	<u><b>(305,284)</b></u>	<u>13,351</u>
<b>Other comprehensive income/(expense) for the year (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of a subsidiary	236	145
Share of exchange difference of an associate	<b>(51)</b>	—
Exchange difference on translation of financial statements of overseas operations	<u>7,961</u>	<u>19,108</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><b>(297,138)</b></u>	<u>32,604</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(313,414)</b>	26,681
Non-controlling interests	<u>16,276</u>	<u>5,923</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><b>(297,138)</b></u>	<u>32,604</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,639	3,140
Intangible assets		9,608	2,815
Goodwill		28,493	213,646
Interests in an associate		64,512	—
Available-for-sale securities		—	52,689
Pledged bank deposits		—	3,054
Deferred tax assets		382	380
		<u>105,634</u>	<u>275,724</u>
<b>Current assets</b>			
Inventories		2,470	954
Trade and other receivables	10	209,735	199,521
Trading securities		41,895	118,031
Amount due from an associate		11,159	—
Pledged bank deposits		5,213	—
Cash and cash equivalents		97,120	81,803
		<u>367,592</u>	<u>400,309</u>
<b>Current liabilities</b>			
Trade and other payables	11	84,663	100,162
Promissory notes		—	42,147
Borrowings		30,250	6,317
Current taxation		6,325	3,746
		<u>121,238</u>	<u>152,372</u>
<b>Net current assets</b>		<u>246,354</u>	<u>247,937</u>
<b>Total assets less current liabilities</b>		<u>351,988</u>	<u>523,661</u>
<b>Non-current liability</b>			
Deferred tax liabilities		49	46
		<u>49</u>	<u>46</u>
<b>Net assets</b>		<u>351,939</u>	<u>523,615</u>
<b>Capital and reserves</b>			
Share capital	12	42,528	24,414
Reserves		215,057	421,123
<b>Total equity attributable to equity shareholders of the Company</b>		<u>257,585</u>	<u>445,537</u>
<b>Non-controlling interests</b>		<u>94,354</u>	<u>78,078</u>
<b>Total equity</b>		<u>351,939</u>	<u>523,615</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

The 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 related Interpretations, promulgated by the International Accounting Standards Board ("IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have had a material effect on how the Group's and Company's result and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. TURNOVER AND SEGMENT REPORTING

### (a) Turnover

The principal activities of the Group are the provision of integrated business software solutions, trading of listed securities and mobile marketing business (note 3(b)). The amount of each significant category of revenue recognised during the year is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Software maintenance and other services	411,810	336,401
Sale of software products and others	50,462	27,676
Net realised and unrealised (losses)/gains on trading securities	(81,400)	43,219
Mobile marketing services	8,563	12,407
Others	288	3
	<u>389,723</u>	<u>419,706</u>

### (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 three major reportable segments. No operating segments have been aggregated to form the following major reportable segments.

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading of securities listed on The Stock Exchange of Hong Kong Limited.
- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong.

(i) *Segment results, assets and liabilities*

For the 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 interests in an associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit is “adjusted (loss)/profit before taxation”. To arrive at adjusted (loss)/profit before taxation, the Group’s earnings are adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

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

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

Information regarding the Group’s major reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2016 and 2015 is set out below.

	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue/(loss) from external customers	462,272	364,077	(59,834)	(14,364)	8,563	12,407	288	3	411,289	362,123
Investment income and net losses	—	—	(21,566)	57,583	—	—	—	—	(21,566)	57,583
<b>Reportable segment revenue</b>	<b>462,272</b>	<b>364,077</b>	<b>(81,400)</b>	<b>43,219</b>	<b>8,563</b>	<b>12,407</b>	<b>288</b>	<b>3</b>	<b>389,723</b>	<b>419,706</b>
<b>Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)</b>	<b>48,519</b>	<b>17,860</b>	<b>(83,027)</b>	<b>42,620</b>	<b>(205,353)</b>	<b>842</b>	<b>(170)</b>	<b>(202)</b>	<b>(240,031)</b>	<b>61,120</b>
Interest income from bank deposits	167	71	—	—	—	—	—	—	167	71
Interest expense	1,082	644	3	28	58	91	—	—	1,143	763
Depreciation and amortisation for the year	1,273	1,003	—	—	773	559	15	8	2,061	1,570
Impairment of goodwill	—	—	—	—	189,810	—	—	—	189,810	—
<b>Reportable segment assets</b>	<b>330,609</b>	<b>284,091</b>	<b>41,999</b>	<b>122,903</b>	<b>12,808</b>	<b>207,783</b>	<b>4,998</b>	<b>321</b>	<b>390,414</b>	<b>615,098</b>
Additions to non-current segment assets during the year	8,115	528	—	—	236	1,641	—	—	8,351	2,169
<b>Reportable segment liabilities</b>	<b>89,962</b>	<b>90,825</b>	<b>—</b>	<b>—</b>	<b>10,565</b>	<b>4,591</b>	<b>2</b>	<b>5</b>	<b>100,529</b>	<b>95,421</b>

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

	2016 RMB'000	2015 RMB'000
<b>Revenue</b>		
Reportable segment revenue	<u>389,723</u>	<u>419,706</u>
<b>(Loss)/profit before taxation</b>		
Reportable segment (loss)/profit	(240,031)	61,120
Unallocated head office and corporate expenses	<u>(56,554)</u>	<u>(44,728)</u>
<b>Consolidated (loss)/profit before taxation</b>	<u><u>(296,585)</u></u>	<u><u>16,392</u></u>
<b>Assets</b>		
Reportable segment assets	390,414	615,098
Interests in an associate	64,512	—
Deferred tax assets	382	380
Unallocated head office and corporate assets	<u>17,918</u>	<u>60,555</u>
<b>Consolidated total assets</b>	<u><u>473,226</u></u>	<u><u>676,033</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	100,529	95,421
Deferred tax liabilities	49	46
Unallocated head office and corporate liabilities	<u>20,709</u>	<u>56,951</u>
<b>Consolidated total liabilities</b>	<u><u>121,287</u></u>	<u><u>152,418</u></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, goodwill and interests in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue/(loss) from external customers		Specified non-current assets	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
PRC	462,272	364,077	30,243	23,396
Hong Kong	<u>(72,549)</u>	<u>55,629</u>	<u>75,009</u>	<u>196,205</u>
	<u><u>389,723</u></u>	<u><u>419,706</u></u>	<u><u>105,252</u></u>	<u><u>219,601</u></u>

For the year ended 31 December 2016, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2015: Nil).

#### 4. OTHER REVENUE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income from bank deposits	167	71
Interest income from amount due from an associate	398	—
Gain on bargain purchase	3,114	348
Gain on disposal of available-for-sale securities	68	—
Gain on disposal of property, plant and equipment	—	193
Gain on disposal of a subsidiary	—	1,361
Net exchange gains	731	—
Others	69	514
	<u>4,547</u>	<u>2,487</u>

#### 5. OTHER NET LOSSES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net exchange losses	—	254
Loss on disposal of a subsidiary	282	—
Loss on early redemption of promissory notes	1,284	3,950
	<u>1,566</u>	<u>4,204</u>

#### 6. (LOSS)/PROFIT BEFORE TAXATION

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

##### (i) Finance costs

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest expenses on bank and other borrowings	1,271	758
Finance charges on obligations under finance leases	—	5
Imputed interest expenses on promissory notes	1,838	1,837
	<u>3,109</u>	<u>2,600</u>

##### (ii) Staff costs

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Salaries, wages and other benefits	35,194	41,186
Contributions to defined contribution retirement schemes	1,768	1,830
	<u>36,962</u>	<u>43,016</u>

(iii) Other items

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cost of inventories	42,246	12,725
Auditors' remuneration		
— audit services	770	722
— non-audit services	411	1,083
Depreciation of property, plant and equipment	2,099	1,651
Amortisation of intangible assets	57	—
Impairment losses on trade and other receivables	7,545	73
Impairment losses on loan receivables	—	110
Operating lease charges in respect of properties	4,698	2,909

7. INCOME TAX EXPENSE

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>Current tax — PRC</b>		
— Provision for the year	(7,606)	(3,289)
— (Under)/over-provision in respect of prior years	(910)	104
	<u>(8,516)</u>	<u>(3,185)</u>
<b>Current tax — HK</b>		
— Provision for the year	—	(73)
— (Under)/over-provision in respect of prior years	(183)	165
	<u>(183)</u>	<u>92</u>
<b>Deferred tax</b>		
— Origination and reversal of temporary difference	—	52
	<u>—</u>	<u>52</u>
	<u>(8,699)</u>	<u>(3,041)</u>

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

The provision for 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 2016 and 2015 as it was awarded high-technology status by the tax authority.

No provision of Hong Kong profits tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong for the year ended 31 December 2016.



The provision for Hong Kong profits tax for the year ended 31 December 2015 is calculated at 16.5% of the estimated assessable profit for the year.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2016 and 2015.

## 8. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2016 (2015: Nil), nor has any dividend been proposed since the end of the reporting period.

## 9. BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

The calculation of the basic and diluted (losses)/earnings per share for the year ended 31 December 2016 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB321,009,000 (2015: approximately RMB7,436,000) and the weighted average of 402,518,358 (restated 2015: 255,703,060) ordinary shares in issue during the year, calculated as follows:

### Weighted average number of ordinary shares

	2016 <i>Number of shares</i>	2015 <i>Number of shares (restated)</i>
Ordinary shares issued at 1 January	2,902,259,827	2,110,867,520
Effect of placing of new shares	1,075,521,321	262,390,685
Effect of share consolidation of every ten issued shares into one consolidation share	(3,575,262,790)	(2,301,327,537)
Issue of consideration shares for the acquisition of subsidiaries	—	183,772,392
	<u>402,518,358</u>	<u>255,703,060</u>

There were no dilutive potential ordinary shares in issue as at 31 December 2016 (2015: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables		88,269	92,408
Less: allowance for doubtful debts	<i>(iii)</i>	<u>(5,025)</u>	<u>(124)</u>
	<i>(i)</i>	<u>83,244</u>	<u>92,284</u>
Loan receivables		6,654	2,038
Less: allowance for doubtful debts		<u>(1,999)</u>	<u>(1,870)</u>
	<i>(iv)</i>	<u>4,655</u>	<u>168</u>
Prepayments made to suppliers	<i>(v)</i>	116,358	95,627
Deposits and other receivables		8,396	11,442
Less: allowance for doubtful debts	<i>(vi)</i>	<u>(2,918)</u>	<u>—</u>
		<u>209,735</u>	<u>199,521</u>

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

- (i) 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 allowance for doubtful debts, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 1 month	51,954	63,016
Over 1 month but less than 3 months	23,525	13,633
Over 3 months but less than 1 year	5,514	7,212
Over 1 year but less than 2 years	2,049	7,594
Over 2 years	202	829
	<u>83,244</u>	<u>92,284</u>

- (ii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	<u>67,974</u>	<u>64,229</u>
Less than 1 month past due	5,173	14,148
Over 1 to 3 months past due	4,720	1,122
Over 3 months to 1 year past due	3,130	6,713
Over 1 year to 2 years past due	2,099	5,876
Over 2 years past due	148	196
	<u>15,270</u>	<u>28,055</u>
	<u>83,244</u>	<u>92,284</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(iii) The movement in the allowance for doubtful debts of trade debtors during the year, including both specific and collective loss components, is as follow:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	124	—
Exchange adjustments	219	4
Acquisition of subsidiaries	—	47
Uncollectible amounts written off	(73)	—
Impairment loss recognised	4,755	73
	<hr/>	<hr/>
At 31 December	<b>5,025</b>	124
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2016, trade receivables of the Group amounting to approximately RMB5,025,000 (2015: RMB124,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB5,025,000 (2015: RMB124,000) were recognised.

(iv) **Loan receivables**

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Repayable		
Within 1 month	—	—
Over 1 month but less than 3 months	—	—
Over 3 months but less than 1 year	4,655	168
	<hr/>	<hr/>
	<b>4,655</b>	168
	<hr/> <hr/>	<hr/> <hr/>

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 allowance for doubtful debts, is as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 1 month	—	—
Over 1 month but less than 3 months	—	—
Over 3 months but less than 1 year	4,655	168
	<hr/>	<hr/>
	<b>4,655</b>	168
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	<u><b>4,655</b></u>	<u>168</u>

The movement in the allowance for doubtful debts of loan receivables during the year, including both specific and collective loss components, is as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	<b>1,870</b>	—
Exchange adjustments	<b>129</b>	50
Acquisition of subsidiaries	—	1,710
Impairment loss recognised	—	110
At 31 December	<u><b>1,999</b></u>	<u>1,870</u>

As at 31 December 2016, loan receivables of the Group amounting to approximately RMB1,999,000 (2015: RMB1,870,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB1,999,000 (2015: RMB1,870,000) were recognised.

- (v) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.
- (vi) The movement in the allowance for doubtful debts of prepayments made to suppliers, deposits and other receivables during the year including both specific and collective loss components, is as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	—	—
Exchange adjustments	<b>128</b>	—
Impairment loss recognised	<b>2,790</b>	—
At 31 December	<u><b>2,918</b></u>	<u>—</u>

## 11. TRADE AND OTHER PAYABLES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade creditors	<b>38,805</b>	49,351
Non-trade payables and accrued expenses	<b>45,263</b>	50,488
Other tax payable	<b>595</b>	323
	<u><b>84,663</b></u>	<u>100,162</u>

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Due within 1 month or on demand	38,104	43,640
Due after 1 month but within 3 months	40	4,354
Due after 3 months but within 6 months	344	1,010
Due after 6 months but within 1 year	150	11
Due after 1 year but within 2 years	—	9
Over 2 years	167	327
	<u>38,805</u>	<u>49,351</u>

## 12. SHARE CAPITAL

		2016		2015	
	<i>Notes</i>	Number of shares	Amount HK\$	Number of shares	Amount HK\$
<b>Authorised:</b>					
At 1 January		100,000,000,000	1,000,000,000	3,000,000,000	30,000,000
Increase on 6 August 2015	<i>(iii)</i>	—	—	97,000,000,000	970,000,000
Share consolidation from HK\$0.01 each to HK\$0.1 each	<i>(iv)</i>	<u>(90,000,000,000)</u>	—	—	—
Ordinary shares of HK\$0.1/ HK\$0.01 each		<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued and fully paid:</b>					
At 1 January		2,902,259,827	29,022,598	2,110,867,520	21,108,675
Issue of placing shares	<i>(ii)</i>	1,360,574,000	21,128,300	483,700,000	4,837,000
Issue of consideration shares for the acquisition of subsidiaries	<i>(i)</i>	—	—	307,692,307	3,076,923
Share consolidation	<i>(iv)</i>	<u>(3,761,324,845)</u>	—	—	—
At 31 December		<u>501,508,982</u>	<u>50,150,898</u>	2,902,259,827	29,022,598
			<b>RMB equivalent <u>42,528,059</u></b>		<b>RMB equivalent <u>24,413,823</u></b>

### (i) Issue of consideration shares

Pursuant to an acquisition agreement dated on 16 February 2015, the Group has agreed to issue 307,692,307 ordinary shares of HK\$0.01 each with agreed price at HK\$0.13 per share as consideration shares for acquiring 20% of interest in Gravitas Group Limited from Mr. Chu Wai Kit. Upon completion of the acquisition on 14 May 2015, the consideration shares were issued and recorded at HK\$0.285 per share with reference to the market price as of that date, the issue of shares has resulted an increase in the share capital and share premium by approximately HK\$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK\$84,615,000 (equivalent to approximately RMB66,432,000) respectively.

**(ii) Issue of placing shares**

Pursuant to a placing agreement dated on 28 May 2015, a total of 483,700,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.25 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$4,837,000 (equivalent to approximately RMB3,804,000) and HK\$116,088,000 (equivalent to approximately RMB91,303,000) respectively.

Pursuant to a placing agreement dated on 15 December 2015, a total of 580,450,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.098 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$5,804,500 (equivalent to approximately RMB4,885,000) and HK\$49,370,000 (equivalent to approximately RMB41,540,000) respectively.

Pursuant to a placing agreement dated on 6 April 2016, a total of 696,540,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.057 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$6,965,400 (equivalent to approximately RMB5,818,000) and HK\$31,540,000 (equivalent to approximately RMB26,350,000) respectively.

Pursuant to a placing agreement dated on 30 November 2016, a total of 83,584,000 ordinary shares of HK\$0.1 each were issued at the placing price of HK\$0.65 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$8,358,400 (equivalent to approximately RMB7,411,000) and HK\$44,755,000 (equivalent to approximately RMB39,683,000) respectively.

**(iii) Increase in authorised share capital**

On 6 August 2015, the Company passed an ordinary resolution to increase its authorised share capital from HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each to HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 97,000,000,000 unissued ordinary shares.

**(iv) Share consolidation**

At the extraordinary general meeting of the Company held on 29 June 2016, an ordinary resolution relating to share consolidation on the basis of every 10 existing ordinary share of HK\$0.01 each in the issued and unissued share capital of the Company are consolidated into one consolidated share of HK\$0.10 each (“Share Consolidation”) was duly passed by the shareholders of the Company and the Share Consolidation became effective on 30 June 2016.

**13. EVENTS AFTER THE REPORTING PERIOD**

On 6 January 2017, the Company entered into a memorandum of understanding (the “MOU”) with the sellers in respect of a proposed acquisition to acquire 100% of the entire issued share capital of a company, which was incorporated in Hong Kong with limited liability and is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap. 571, laws of Hong Kong. A refundable deposit of HK\$1,500,000 was paid to the sellers upon signing of the MOU. In the event that the formal agreement is not signed, the deposit shall be refunded to the Company in full.

On 13 February 2017, Luck Success Development Limited (the “Offeror”) and the Company jointly announce that Kingston Securities Limited will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the shares in the entire issued share capital of the Company (other than those shares already owned by or to be acquired by the Offeror and parties acting in concert with it) (the “Offer”). Please refer to the Company’s announcements dated 13 February 2017, 20 February 2017, 6 March 2017 and 24 March 2017 for further information of the Offer. As at the date of this announcement, the Offer remain open for acceptances.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB389,723,000 (2015: RMB419,706,000), of which turnover mainly from (i) software maintenance and other services amounted to approximately RMB411,810,000 (2015: RMB336,401,000); (ii) sales of software products and others amounted to approximately RMB50,462,000 (2015: RMB27,676,000); (iii) net realised and unrealised losses on trading securities amounted to approximately RMB81,400,000 (2015: gains of RMB43,219,000); and (iv) mobile marketing services amounted to approximately RMB8,563,000 (2015: RMB12,407,000).

#### Gross Profit

For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB6,315,000 (2015: RMB115,045,000). The gross profit ratio for the software business of the Group during the period was approximately 19% while that of the corresponding period in 2015 was approximately 18%. The increase in gross profit ratio was mainly due to the increase of gross profit margin for returning profitability back to previous levels.

#### Other Net Losses

For the year ended 31 December 2016, other net losses were approximately RMB1,566,000 (2015: RMB4,204,000), which was mainly attributable to loss on early redemption of promissory notes of approximately RMB1,284,000 (2015: RMB3,950,000) and loss on disposal of a subsidiary of approximately RMB282,000 (2015: Nil).

#### Distribution Expenses

For the year ended 31 December 2016, distribution expenses were approximately RMB25,458,000 (2015: RMB26,475,000). 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 2016, general and administrative expenses were approximately RMB47,742,000 (2015: RMB67,717,000). The decrease in general and administrative expenses was mainly due to the decrease of staff costs, legal and professional fees, entertainment and travelling during the year.

#### Finance Costs

For the year ended 31 December 2016, finance costs were approximately RMB3,109,000 (2015: RMB2,600,000). The increase in finance costs was due to the increase in interest expenses on borrowings during the year.

## **Other Investment**

For the year ended 31 December 2016, an impairment loss of approximately RMB41,078,000 (2015: Nil) was recognised on the Group's available-for-sales securities. Taking into account the unaudited net asset value of the particular investee as at 31 December 2016, and other relevant factors, full impairment of the value of the investment was made as at 31 December 2016.

## **Impairment**

For the year ended 31 December 2016, the Group recognised an impairment loss on its goodwill of approximately RMB189,810,000 (2015: Nil). Due to the deteriorating performance and suffering significant loss in mobile marketing business, the Directors determined that there was a need for an impairment on the goodwill arising from the acquisition of mobile marketing business.

## **Loss for the Year**

As a result, the Group recorded a loss for the year ended 31 December 2016 of approximately RMB305,284,000 (2015: profit of RMB13,351,000).

## **Liquidity and Financial Resources**

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2016, the Group maintained cash and cash equivalents amounted to approximately RMB97,120,000 (2015: RMB81,803,000). As at 31 December 2016, the Group's current ratio was approximately 3.03 times (2015: 2.62 times); and the Group's net gearing ratio as at 31 December 2016 was not applicable (2015: 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 2016, the Group has pledged certain trade receivables not less than RMB8,000,000 for secured of bank borrowings.

As at 31 December 2015 and 2016, except for the bank deposits were pledged to secure trade finance facilities to the Group, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

## **Capital Structure**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including borrowings, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained earnings 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 December 2015, the Company entered into a placing agreement with China Rise Securities Asset Management Company Limited (the “Placing Agent”), pursuant to which the Placing Agent conditionally agreed, on a best efforts basis, to place 580,450,000 new shares of HK\$0.01 each (the “First Placing Share(s)”) to not fewer than six independent placees at a price of HK\$0.098 per First Placing Share (the “First Placing”). The First Placing was completed on 5 January 2016 and an aggregate of 580,450,000 First Placing Shares were successfully placed to not less than six placees. The net price per First Placing Share was approximately HK\$0.095. The First Placing provided a good opportunity to raise additional funds to meet the Company’s funding needs. The net proceeds from the First Placing has been used as to (i) approximately HK\$52,100,000 for early redemption of promissory notes with principal amount of HK\$50,000,000 together with accrued interest thereupon; and (ii) approximately HK\$2,800,000 has been used for general working capital of the Group.

On 6 April 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed, on a best efforts basis, to place 696,540,000 new shares of HK\$0.01 each (the “Second Placing Share(s)”) to not fewer than six independent placees at a price of HK\$0.057 per Second Placing Share (the “Second Placing”). The Second Placing was completed on 15 April 2016 and an aggregate of 696,540,000 Second Placing Shares were successfully placed to not less than six placees. The net price per Second Placing Share was approximately HK\$0.054. The Second Placing provided a good opportunity to raise additional funds to meet the Company’s funding needs. The net proceeds from the Second Placing has been used as to (i) approximately HK\$21,700,000 has been utilised for settling part of the consideration for the acquisition of 28% of issued share capital of All Treasure International Industrial Limited (“All Treasure”); (ii) approximately HK\$5,000,000 has been used for money lending business; (iii) approximately HK\$4,000,000 has been used for general working capital; and (iv) approximately HK\$7,000,000 has been used for granting of a loan to All Treasure.

Pursuant to an ordinary resolution passed by the Company’s shareholders at the extraordinary general meeting on 29 June 2016, the Company consolidated every 10 existing ordinary share of HK\$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK\$0.10 each (“Share Consolidation”). Share Consolidation took effect on 30 June 2016 and after the Share Consolidation, the Company has HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares as authorised share capital and the number of consolidated shares then in issue is 417,924,982.

On 12 August 2016, the Company proposed to raise approximately HK\$206,900,000 (before expenses) by way of a rights issue of 1,253,774,946 rights shares at a subscription price of HK\$0.165 per rights share on the basis of three rights shares for every one share held on the record date. The proposed rights issue was terminated on 4 October 2016.

On 30 November 2016, the Company entered into a placing agreement with Get Nice Securities Limited (the “Second Placing Agent”), pursuant to which the Second Placing Agent conditionally agreed, on a best efforts basis, to place 83,584,000 new shares of HK\$0.1 each (the “Third Placing Share(s)”) to not fewer than six independent placees at a price of HK\$0.65 per Third Placing Share (the “Third Placing”). The Third Placing was completed on 8 December 2016 and an aggregate of 83,584,000 Third Placing Shares were successfully placed to not less than six placees. The net price per Third Placing Share was approximately HK\$0.63. The Third Placing provided a good opportunity to raise additional funds to meet the Company’s funding needs. The net proceeds from the Third Placing has been used as to (i) approximately HK\$41,400,000 for early redemption of promissory notes with principal amount of HK\$40,000,000 together with accrued interest thereupon; (ii) approximately HK\$1,400,000 has been used for general working capital of the Group; and (iii) approximately HK\$9,800,000 has not yet been utilised and remains in the bank for the intended uses.

## **Significant Investment**

The Group has not made any significant investment for the year ended 31 December 2016 (2015: Nil).

## **Material Acquisition and Disposal of Subsidiaries or Associated Companies**

On 9 May 2016, Fine Time Global Limited (the “Purchaser”), a direct wholly-owned subsidiary of the Company and Wisdom Master Investments Limited (the “Vendor”) entered into an acquisition agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 28% of issued share capital of All Treasure International Industrial Limited (the “Target Company”) at the consideration of HK\$71,706,600, which has been satisfied as to (i) HK\$21,706,600 in cash; and (ii) HK\$50,000,000 by the issue of the promissory notes to the Vendor. Completion of the acquisition has taken place simultaneously upon signing of the acquisition agreement. Upon completion, the Target Company has become an associated company of the Company. The Target Company and its subsidiaries are principally engaged in (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC.

Save as disclosed above, the Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2016.

## **Subsequent Event**

On 6 January 2017, the Company entered into the memorandum of understanding with the sellers in relation to the proposed acquisition. The target company was incorporated in Hong Kong with limited liability and is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap.571, laws of Hong Kong. A refundable deposit of HK\$1,500,000 was paid to the sellers upon signing of the memorandum of understanding. In the event that the formal agreement is not signed, the deposit shall be refunded to the Company in full.

On 13 February 2017, Luck Success Development Limited (the “Offeror”) and the Company jointly announce that Kingston Securities Limited will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the shares in the entire issued share capital of the Company (other than those shares already owned by or to be acquired by the Offeror and parties acting in concert with it) (the “Offer”). Please refer to the Company’s announcements dated 13 February 2017, 20 February 2017, 6 March 2017 and 24 March 2017 for further information of the Offer. As at the date of this announcement, the Offer remain open for acceptances.

## **Employees and Remuneration Policies**

As at 31 December 2016, the Group employed 142 full time employees (2015: 141). 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 a mandatory provident fund scheme for all qualifying employees in Hong Kong.

## **Contingent Liabilities**

As at 31 December 2016, there was no significant contingent liability (2015: Nil).

## **Final Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

## **BUSINESS REVIEW**

The Group recorded a turnover of approximately RMB389,723,000 for the year ended 31 December 2016 (2015: RMB419,706,000), representing a decrease of approximately 7%. The decrease is mainly due to the net realised and unrealised losses on trading securities for the current year was approximately RMB81,400,000 (2015: a gain of RMB43,219,000).

The turnover of the software business amounted to approximately RMB462,272,000 for the year ended 31 December 2016 (2015: RMB364,077,000), representing an increase of approximately 27%. The increase is due to the continuing growing business in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The Group also provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC.

The mobile marketing business has contributed approximately RMB8,563,000 for the year ended 31 December 2016 (2015: RMB12,407,000).

## **OUTLOOK AND FUTURE BUSINESS STRATEGIES**

We have a large client base in the PRC who use Oracle's databases and an experienced technical team which can provide prompt and effective services and develop services.

Apart from our existing software business and mobile marketing business, the Group acquired All Treasure International Industrial Limited (the "Target Company") on 9 May 2016. The Target Company and its subsidiaries are principally engaged in (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC. The Directors consider the acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to further expand and diversify its business portfolio and tap into the entertainment industry with growth potential.

In order to maintain the Group's sustainability and preservation of value over the longer term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can bring return to the shareholders of the Company.

As disclosed in the Company's announcement dated 6 January 2017, the Company entered into a memorandum of understanding regarding the possible acquisition of a target company which is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap.571, laws of Hong Kong (the "Possible Acquisition"). The Possible Acquisition is still in the preliminary stage, further announcement(s) in respect of the Possible Acquisition will be made by the Company as and when

appropriate. The Group will continue to look for opportunities in the financial industry in view of the integration of industries and finance and carry out “mixed businesses” strategy in order to provide a comprehensive portfolio of financial services.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 19 May 2017 (“2017 AGM”), the register of members of the Company will be closed from Monday, 15 May 2017 to Friday, 19 May 2017, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 May 2017.

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

During the year ended 31 December 2016, 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 on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

## **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 Listing Rules as its own code of corporate governance. During the year ended 31 December 2016, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations from code provisions A.4.1, A.6.7, D.1.4 and E.1.2 of the CG Code, which are explained below.

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

Code provision A.6.7 of the CG Code requires that independent non-executive directors should attend general meetings. Mr. Yau Yan Ming Raymond and Ms. Hu Gin Ing did not attend the 29 June 2016 EGM due to their other business engagements.

Code provision D.1.4 of the CG Code requires that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lam Kai Tai and Mr. Wong Ho Sing, executive Directors of the Company, Mr. Kwok Ho On Anthony, former executive Director who resigned on 19 January 2017 and Ms. Hu Gin Ing, an independent non-executive Director. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. Mr. Lam Kai Tai, the chairman of the Board, did not attend the 2016 AGM due to his other business engagement.

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 2016.

#### **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

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

Hong Kong, 28 March 2017

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Lam Kai Tai (Chairman), Mr. Wong Ho Sing and Mr. Li Jiang Nan, and three independent non-executive Directors, namely Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian.*