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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)**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

#### **UNAUDITED INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Enterprise Development Holdings Limited (the “Company”) announces the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015. The unaudited interim financial report has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Turnover</b>	4	<b>224,661</b>	338,692
Cost of sales		<b>(183,852)</b>	(111,320)
<b>Gross profit</b>		<b>40,809</b>	227,372
Other revenue		<b>3,551</b>	118
Distribution expenses		<b>(10,823)</b>	(13,280)
General and administrative expenses		<b>(21,653)</b>	(34,678)
Other operating expenses		<b>(46)</b>	(42)
Loss on early redemption of promissory notes		<b>(1,262)</b>	(3,340)
Provision for impairment loss on available-for-sale securities		<b>(40,382)</b>	–
Provision for impairment loss on goodwill		<b>(86,930)</b>	–
<b>(Loss)/profit from operations</b>		<b>(116,736)</b>	176,150
Share of loss of an associate		<b>(1,910)</b>	–
Finance costs	5(i)	<b>(1,134)</b>	(2,244)
<b>(Loss)/profit before taxation</b>	5	<b>(119,780)</b>	173,906
Income tax expense	6	<b>(4,260)</b>	(2,411)
<b>(Loss)/profit for the period</b>		<b>(124,040)</b>	171,495
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(129,332)</b>	168,895
Non-controlling interests		<b>5,292</b>	2,600
<b>(Loss)/profit for the period</b>		<b>(124,040)</b>	171,495
<b>(Loss)/earnings per share (RMB)</b>	7		(Restated)
Basic		<b>(0.34)</b>	0.76
Diluted		<b>(0.34)</b>	0.76

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Expressed in Renminbi)

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>(Loss)/profit for the period</b>	<b>(124,040)</b>	171,495
<b>Other comprehensive (expense)/income for the period (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas operations	<b>(1,262)</b>	3,257
Share of exchange difference of an associate	<b>(30)</b>	–
<b>Total comprehensive (expense)/income for the period</b>	<b>(125,332)</b>	174,752
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(131,072)</b>	172,146
Non-controlling interests	<b>5,740</b>	2,606
<b>Total comprehensive (expense)/income for the period</b>	<b>(125,332)</b>	174,752

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in Renminbi)

		<b>At 30 June 2016 (Unaudited) RMB'000</b>	At 31 December 2015 (Audited) RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,250</b>	3,140
Intangible assets		<b>2,815</b>	2,815
Goodwill	8	<b>121,482</b>	213,646
Interests in an associate	9	<b>63,027</b>	–
Available-for-sale securities		<b>12,775</b>	52,689
Pledged bank deposits		<b>7,840</b>	3,054
Deferred tax assets		<b>381</b>	380
		<b>211,570</b>	275,724
<b>Current assets</b>			
Inventories		<b>2,969</b>	954
Trade and other receivables	10	<b>265,796</b>	199,521
Trading securities		<b>122,308</b>	118,031
Cash and cash equivalents		<b>30,335</b>	81,803
		<b>421,408</b>	400,309
<b>Total assets</b>		<b>632,978</b>	676,033
<b>Current liabilities</b>			
Trade and other payables	11	<b>82,222</b>	100,162
Promissory notes	12	<b>–</b>	42,147
Borrowings	13	<b>26,041</b>	6,317
Current taxation		<b>4,388</b>	3,746
		<b>112,651</b>	152,372
<b>Net current assets</b>		<b>308,757</b>	247,937
<b>Total assets less current liabilities</b>		<b>520,327</b>	523,661

	<i>Notes</i>	<b>At 30 June 2016 (Unaudited) RMB'000</b>	At 31 December 2015 (Audited) RMB'000
<b>Non-current liabilities</b>			
Deferred tax liability		<b>47</b>	46
Promissory notes	12	<b>43,182</b>	–
		<b>43,229</b>	46
<b>Net assets</b>			
		<b>477,098</b>	523,615
<b>Capital and reserves</b>			
Share capital	14	<b>35,117</b>	24,414
Reserves		<b>358,163</b>	421,123
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>393,280</b>	445,537
<b>Non-controlling interests</b>			
		<b>83,818</b>	78,078
<b>Total equity</b>			
		<b>477,098</b>	523,615

## **NOTES TO THE UNAUDITED INTERIM RESULTS**

*(Expressed in Renminbi)*

### **1. BASIS OF PREPARATION**

This unaudited interim results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and were authorised for issue on 31 August 2016.

The unaudited interim results have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This unaudited interim results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements.

The unaudited interim results set out in this announcement do not constitute the Group’s financial statements for the six months ended 30 June 2016 but are extracted from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company’s principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2016.

## 2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRSs, *Annual Improvements to IFRS 2012–2014 Cycle*
- Amendments to IAS1, Presentation of financial statements: Disclosure Initiative

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

## 3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. 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") and Hong Kong.
- Trading and investment business: Trading securities listed on the Stock Exchange.
- 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.

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

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

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

The measure used for reporting segment (loss)/profit is “adjusted (loss)/profit before taxation”. To arrive at adjusted (loss)/profit before taxation, the Group’s (loss)/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 period (six months ended 30 June 2015: Nil).

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

	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Turnover from external customers	215,824	141,663	301	18,857	4,780	3,005	63	-	220,968	163,525
Investment income	-	-	3,693	175,167	-	-	-	-	3,693	175,167
<b>Reportable segment revenue</b>	<b>215,824</b>	<b>141,663</b>	<b>3,994</b>	<b>194,024</b>	<b>4,780</b>	<b>3,005</b>	<b>63</b>	<b>-</b>	<b>224,661</b>	<b>338,692</b>
<b>Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)</b>	<b>18,602</b>	<b>8,909</b>	<b>3,983</b>	<b>193,523</b>	<b>(100,525)</b>	<b>110</b>	<b>(327)</b>	<b>-</b>	<b>(78,267)</b>	<b>202,542</b>
Interest income from bank deposits	36	49	-	-	-	-	-	-	36	49
Interest expenses	441	366	28	-	37	25	-	-	506	391
Depreciation and amortisation for the period	506	490	-	-	386	133	4	-	896	623



	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31
	June	December	June	December	June	December	June	December	June	December
	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
<b>Reportable segment assets</b>	<b>297,446</b>	284,091	<b>127,323</b>	122,903	<b>112,796</b>	207,783	<b>4,793</b>	321	<b>542,358</b>	615,098
Additions to non-current segment assets during the period/year	<b>957</b>	528	-	-	<b>91</b>	1,641	-	-	<b>1,048</b>	2,169
<b>Reportable segment liabilities</b>	<b>89,541</b>	90,825	-	-	<b>7,329</b>	4,591	-	5	<b>96,870</b>	95,421

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Turnover</b>		
Reportable segment turnover	<b>224,661</b>	338,692
<b>(Loss)/profit before taxation</b>		
Reportable segment (loss)/profit derived from the Group's external customers	<b>(78,267)</b>	202,542
Share of loss of an associate	<b>(1,910)</b>	-
Unallocated head office and corporate expenses	<b>(39,603)</b>	(28,636)
<b>Consolidated (loss)/profit before taxation</b>	<b>(119,780)</b>	173,906

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
<b>Assets</b>		
Reportable segment assets	<b>542,358</b>	615,098
Deferred tax assets	<b>381</b>	380
Unallocated head office and corporate assets	<b>90,239</b>	60,555
<b>Consolidated total assets</b>	<b>632,978</b>	676,033
<b>Liabilities</b>		
Reportable segment liabilities	<b>96,870</b>	95,421
Deferred tax liabilities	<b>47</b>	46
Unallocated head office and corporate liabilities	<b>58,963</b>	56,951
<b>Consolidated total liabilities</b>	<b>155,880</b>	152,418

**(c) Geographic information**

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

	<b>Six months ended</b>		<b>Specified non-current assets</b>	
	<b>30 June 2016 RMB'000</b>	2015 RMB'000	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
PRC	<b>215,824</b>	146,373	<b>23,857</b>	23,396
Hong Kong	<b>8,837</b>	192,319	<b>103,690</b>	196,205
	<b>224,661</b>	338,692	<b>127,547</b>	219,601

#### 4. TURNOVER

The principal activities of the Group are the provision of integrated business software solutions, mobile marketing services and trading of listed securities.

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Software maintenance and other services	<b>202,423</b>	138,341
Sales of software products and others	<b>13,401</b>	3,322
Net realised and unrealised gains on trading securities	<b>3,994</b>	194,024
Mobile marketing services	<b>4,780</b>	3,005
Others	<b>63</b>	–
	<b>224,661</b>	338,692

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

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

##### (i) Finance costs

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest expenses on borrowings wholly repayable within five years	<b>478</b>	389
Finance lease	–	2
Imputed interest expenses on promissory notes	<b>656</b>	1,825
Bank overdraft	–	28
	<b>1,134</b>	2,244

**(ii) Staff costs**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Salaries, wages and other benefits	<b>15,705</b>	21,099
Contributions to defined contribution retirement schemes	<b>2,224</b>	1,793
	<b>17,929</b>	22,892

Salaries, wages and benefits of approximately RMB2,760,000 (six months ended 30 June 2015: RMB1,361,000) has been expensed in cost of sales for six months period ended 30 June 2016.

**(iii) Other items**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of inventories	<b>9,518</b>	2,456
Depreciation of property, plant and equipment	<b>944</b>	672
Operating lease charges in respect of properties	<b>2,971</b>	2,609
Net loss on disposal of property, plant and equipment	<b>12</b>	–
Provision for impairment loss on available-for-sales securities	<b>40,382</b>	–
Provision for impairment loss on goodwill	<b>86,930</b>	–
Provision for impairment loss on trade receivables	<b>1,640</b>	–

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC	<b>4,260</b>	2,411

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

No provision for Hong Kong Profits Tax has been made for the period as the Group does not have assessable profits subject to Hong Kong Profits Tax during the period.

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.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2016 and 2015.

## 7. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share for the six months ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of approximately RMB129,332,000 (six months ended 30 June 2015: profit of approximately RMB168,895,000) and the weighted average of 376,235,204 ordinary shares (six months ended 30 June 2015: 220,221,167 shares (restated)) in issue during the interim period.

There were no dilutive potential ordinary shares in issue as at 30 June 2016 (30 June 2015: Nil).

## 8. GOODWILL

	Total RMB'000	
<b>Cost:</b>		
31 December 2015 and 1 January 2016		213,646
Exchange adjustments		4,356
At 30 June 2016		218,002
<b>Accumulated impairment loss:</b>		
31 December 2015 and 1 January 2016		–
Impairment loss		(86,930)
Exchange adjustments		(9,590)
At 30 June 2016		(96,520)
<b>Carrying amount:</b>		
<b>At 30 June 2016</b>		<b>121,482</b>
At 31 December 2015		213,646
	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Software business – PRC	<b>19,541</b>	19,541
Mobile marketing business – HK	<b>101,941</b>	194,105
	<b>121,482</b>	213,646

## **Mobile marketing business – Hong Kong**

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 as the recoverable amount of cash generating unit (“CGU”) based on the valuation report by an independent valuer was calculated to be lower than their aggregate carrying amounts.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (as at 31 December 2015: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 18.22% (as at 31 December 2015: 18.59%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the six months ended 30 June 2016, the impairment loss of goodwill recognised to the unaudited consolidated statement of profit or loss was approximately RMB86,930,000 (six month ended 30 June 2015: Nil).

The Directors believe that the mobile marketing business containing goodwill has been reduced to its recoverable amount. The management of the Group believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

## 9. INTERESTS IN AN ASSOCIATE

On 9 May 2016, the Group acquired 28% equity interests in All Treasure International Industrial Limited (the “Target Company”) from Wisdom Master Investments Limited (the “Vendor”) at a consideration of HK\$71,706,600, which has been satisfied as to HK\$21,706,600 in cash and HK\$50,000,000 by the issue of promissory notes by the Company to the Vendor. Upon completion of the said acquisition, the Target Company has become an associate company of the Company.

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Cost of investments, unlisted	<b>60,116</b>	–
Bargain purchase	<b>3,499</b>	–
Share of loss	<b>(1,910)</b>	–
Exchange adjustments	<b>1,322</b>	–
At 30 June/31 December	<b>63,027</b>	–

The Group’s share of the results in the associate and its aggregated assets, liabilities and revenue are shown below:

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000</b>	2015 RMB'000
Assets	<b>246,992</b>	–
Liabilities	<b>21,894</b>	–
Revenue	<b>755</b>	–
Share of loss	<b>(1,910)</b>	–
Percentage hold	<b>28%</b>	–



## 10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Trade receivables		<b>88,019</b>	92,408
Less: allowance for doubtful debts		<b>(1,764)</b>	(124)
	<i>(i)</i>	<b>86,255</b>	92,284
Loan receivables		<b>6,418</b>	2,038
Less: allowance for doubtful debts		<b>(1,912)</b>	(1,870)
	<i>(ii)</i>	<b>4,506</b>	168
Prepayments made to suppliers	<i>(iii)</i>	<b>152,255</b>	95,627
Deposits and other receivables		<b>22,780</b>	11,442
		<b>265,796</b>	199,521

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

Notes:

- (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:

<b>Invoice date</b>	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 1 month	<b>58,654</b>	63,016
Over 1 month but less than 3 months	<b>21,650</b>	13,633
Over 3 months but less than 1 year	<b>2,065</b>	7,212
Over 1 year but less than 2 years	<b>2,304</b>	7,594
Over 2 years	<b>1,582</b>	829
	<b>86,255</b>	92,284

- (ii) As at 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 debt, is as follows:

<b>Invoice date</b>	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Within 1 month	<b>4,335</b>	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	<b>171</b>	168
Over 1 year but less than 2 years	–	–
Over 2 years	–	–
	<b>4,506</b>	168

- (iii) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.
- (iv) As at 30 June 2016, trade receivables of the Group amounting to approximately RMB1,640,000 (as at 31 December 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 RMB1,640,000 were recognised.

## 11. TRADE AND OTHER PAYABLES

	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Trade creditors	<b>37,786</b>	49,351
Non-trade payables and accrued expenses	<b>44,436</b>	50,488
Other taxes payable	–	323
	<b>82,222</b>	100,162

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:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Due within 1 month or on demand	<b>36,968</b>	43,640
Due after 1 month but within 3 months	<b>77</b>	4,354
Due after 3 months but within 6 months	<b>40</b>	1,010
Due after 6 months but within 1 year	<b>375</b>	20
Over 2 years	<b>326</b>	327
	<b>37,786</b>	49,351

## 12. PROMISSORY NOTES

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
At 1 January	<b>42,147</b>	–
Issued for the acquisition of an associate	<b>41,994</b>	–
Issued for the acquisition of subsidiaries	–	120,693
Imputed interest	<b>656</b>	1,837
Redemption	<b>(43,896)</b>	(88,713)
Loss on early redemption of promissory notes	<b>1,262</b>	3,950
Exchange adjustments	<b>1,019</b>	4,380
At 30 June/31 December	<b>43,182</b>	42,147

### 13. BORROWINGS

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
<b>Borrowings:</b>		
Unsecured borrowings	<b>1,430</b>	1,398
Secured bank loan	<b>24,611</b>	4,919
	<b>26,041</b>	6,317

At 30 June 2016, the secured bank loans bear interest at 4.36% to 5.75% (as at 31 December 2015: 5.68% to 6.43%) per annum and secured by corporate guarantee of a PRC subsidiary. The unsecured borrowing bears interest at 4.56% (as at 31 December 2015: 5%) per annum. The unsecured and guaranteed bank loans bear weighted average effective interest of 5.45% (as at 31 December 2015: 5.43%) per annum and guaranteed by a director of a subsidiary. All borrowings are repayable within one year or on demand.

### 14. SHARE CAPITAL

	Notes	30 June 2016		31 December 2015	
		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		-	-	97,000,000,000	970,000,000
Share consolidation	(iii)	(90,000,000,000)	-	-	-
Ordinary shares of HK\$0.1/HK\$0.01 each		10,000,000,000	1,000,000,000	100,000,000,000	1,000,000,000
<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 consideration shares for the acquisition of subsidiaries	(i)	-	-	307,692,307	3,076,923
Issue of placing shares	(ii)	1,276,990,000	12,769,900	483,700,000	4,837,000
Share consolidation	(iii)	(3,761,324,845)	-	-	-
At 30 June/31 December		417,924,982	41,792,498	2,902,259,827	29,022,598
			<i>RMB equivalent</i>		<i>RMB equivalent</i>
			<b>35,116,834</b>		24,414,823

**(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 Gravitax 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.

**(iii) 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover**

For the six months ended 30 June 2016, the Group recorded a turnover of approximately RMB224,661,000 (six months ended 30 June 2015: RMB338,692,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB202,423,000 (six months ended 30 June 2015: RMB138,341,000); (ii) sales of software products and others amounted to approximately RMB13,401,000 (six months ended 30 June 2015: RMB3,322,000); (iii) fair value gains of approximately RMB3,994,000 on held for trading investments (six months ended 30 June 2015: RMB194,024,000); and (iv) mobile marketing services amounted to approximately RMB4,780,000 (six months ended 30 June 2015: RMB3,005,000).

#### **Gross Profit**

For the six months ended 30 June 2016, the Group recorded a gross profit of approximately RMB40,809,000 (six months ended 30 June 2015: RMB227,372,000). The gross profit ratio for the software business of the Group during the period was approximately 17% while that of the corresponding period in 2015 was approximately 23%. The reason for the decrease in gross profit ratio was that the turnover recorded during the period was mainly derived from maintenance services with lower gross profit ratio.

#### **Finance Costs**

For the six months ended 30 June 2016, finance costs was approximately RMB1,134,000 (six months ended 30 June 2015: RMB2,244,000).

#### **Other Investment**

For the six months ended 30 June 2016, an impairment loss of approximately RMB40,382,000 (six months ended 30 June 2015: Nil) was recognized on the Group's available-for-sales securities. Taking into account the unaudited net asset value of the particular investee as at 30 June 2016, and other relevant factors, full impairment of the value of the investment was made as at 30 June 2016.

## **General and Administrative Expenses**

For the six months ended 30 June 2016, the general and administrative expenses of the Group were approximately RMB21,653,000, representing a decrease of approximately 38%, as compared to approximately RMB34,678,000 of the corresponding period in 2015. The decrease was mainly due to the substantial decrease of staff costs, directors' remuneration, business travelling, entertainment and legal and professional fee.

## **Impairment**

For the six months ended 30 June 2016, the Group recognized an impairment on its goodwill of approximately RMB86,930,000 (six months ended 30 June 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 Period**

For the six months ended 30 June 2016, the Group recorded a loss for the period of approximately RMB124,040,000 (six months ended 30 June 2015: profit of RMB171,495,000).

## **Liquidity and Financial Resources**

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2016, the Group maintained cash and cash equivalents amounted to approximately RMB30,335,000 (31 December 2015: RMB81,803,000). As at 30 June 2016, the Group's current ratio was approximately 3.74 times (31 December 2015: 2.62 times); and the Group's net gearing ratio at 30 June 2016 was not applicable (31 December 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 30 June 2016 and 31 December 2015, except for the bank deposits pledged to secure trade finance facilities to the Group, the Group had no pledge of assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings.

## Capital Structure

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

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 has conditionally agreed, on a best efforts basis, to place 580,450,000 new shares (the "First Placing Shares") to not fewer than six placees who are independent third parties 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 has conditionally agreed, on a best efforts basis, to place 696,540,000 new shares (the "Second Placing Shares") to not fewer than six placees who are independent third parties 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 utilized for settling part of the consideration for the acquisition of 28% of issued share capital of All Treasure International Limited; (ii) approximately HK\$5,000,000 has been used for money lending business; and (iii) the remaining balance of approximately HK\$11,000,000 has not yet been utilized and remains in the bank for general working capital of the Group.



## **Significant Investments**

The Group has not made any significant investment for the six months ended 30 June 2016 (six months ended 30 June 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 the 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 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 six months ended 30 June 2016.

## **Subsequent Event**

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 (3) rights shares for every one (1) share held on the record date. The rights issue is subject to the approval of the independent shareholders at an extraordinary general meeting to be convened and held for approving the same. For details, please refer to the Company’s announcement dated 12 August 2016.

## **Employees and Remuneration Policies**

As at 30 June 2016, the Group employed 184 (30 June 2015: 172) 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, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong.

## **Contingent Liabilities**

As at 30 June 2016, there was no significant contingent liability (30 June 2015: Nil).

## **BUSINESS REVIEW**

The Group recorded a turnover of approximately RMB224,661,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB338,692,000), representing a decrease of approximately 34%. The decrease is mainly due to the decrease in the realized and unrealized gain on investments in listed financial assets at fair value through profit and loss by approximately 98%.

The turnover of the software business amounted to approximately RMB215,824,000 for the period, representing an increase of approximately 52%. 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 RMB4,780,000 for the current period (six months ended 30 June 2015: RMB3,005,000).

## **OUTLOOK**

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 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.

## **INTERIM DIVIDEND**

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's business are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2016.

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 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 and D.1.4, 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 C.2.5 requires that the Company should have an internal audit function. During the six months ended 30 June 2016, as it takes time to obtain quotation from service providers on internal audit functions, the Company had only been preparing for but yet to complete the establishment of comprehensive internal audit functions. The Company will actively keep up with relevant matters and expects to complete the establishment of internal audit functions in 2016 by engaging external service provider to assist the Company, in order to ensure the effective compliance with the risk management and internal control requirements under the CG Code.

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, Mr. Wong Ho Sing and Mr. Kwok Ho On Anthony, executive Directors of the Company, 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, Chairman, 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 throughout the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond (as chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung. The primary duties of the Audit Committee are to review and supervise the financial reporting process, to review the risk management and internal control systems of the Group. The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

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

Hong Kong, 31 August 2016

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Lam Kai Tai (Chairman), Mr. Kwok Ho On Anthony, Mr. Wang Jun and Mr. Wong Ho Sing, and three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond, Ms. Hu Gin Ing and Mr. Liu Kam Lung.*