

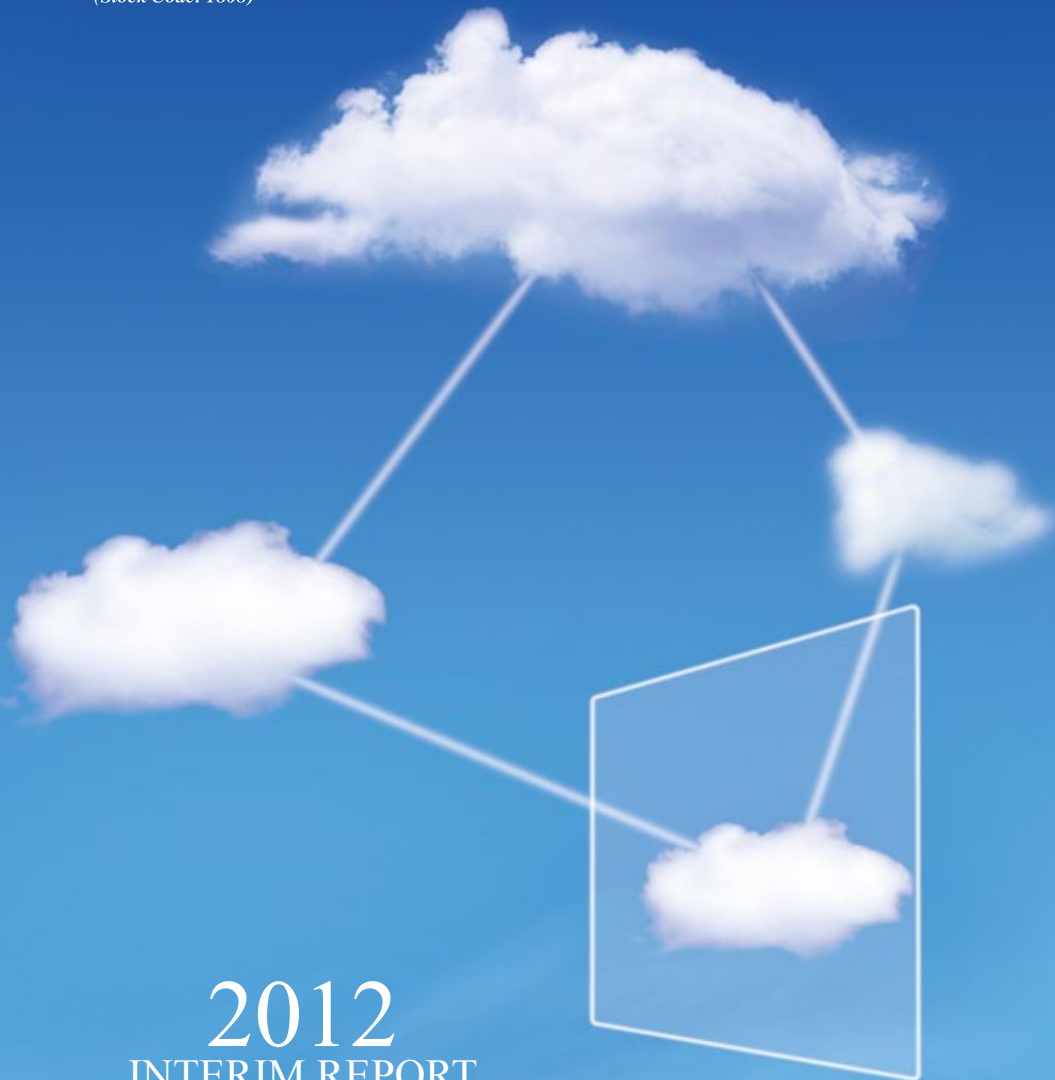


# ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 1808)*

2012  
INTERIM REPORT



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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

King Pak Fu (*Chairman*)

Jia Bowei (*Chief Executive Officer*)

Tsang To

Lam Kwan Sing

#### Independent Non-executive Directors

Lam Ting Lok

Hu Gin Ing

Zhang Xiaoman

### Company Secretary

Chan Yuen Ying, Stella ACIS, ACS, HKIoD

### Authorised Representatives

Tsang To

Chan Yuen Ying, Stella ACIS, ACS, HKIoD

### Audit Committee

Lam Ting Lok (*Chairman*)

Hu Gin Ing

Zhang Xiaoman

### Remuneration Committee

Lam Ting Lok (*Chairman*)

Tsang To

Hu Gin Ing

Zhang Xiaoman

### Nomination Committee

Lam Ting Lok (*Chairman*)

Tsang To

Hu Gin Ing

Zhang Xiaoman

### Auditors

HLB Hodgson Impey Cheng Limited

### Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

### Principal Place of Business in Hong Kong

Room 1502, 15th Floor

The Chinese Bank Building

61-65 Des Voeux Road Central

Hong Kong

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman)  
Limited

Butterfield House

68 Fort Street

P.O. Box 705

Grand Cayman

Cayman Islands

British West Islands

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor  
Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

### Principal Banker

The Bank of East Asia Limited

### Stock Code

1808

### Company Website Address

[www.1808.com.hk](http://www.1808.com.hk)

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

(Expressed in Renminbi Yuan)

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 2012 together with comparative figures for the corresponding period in 2011. The unaudited interim financial report has not been audited but has been reviewed by the Company's audit committee (the "Audit Committee").

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<i>Continuing operations</i>			
<b>Turnover</b>	4	<b>59,838</b>	65,861
Cost of sales		<b>(50,128)</b>	(48,097)
<b>Gross profit</b>		<b>9,710</b>	17,764
Other revenue		<b>10</b>	17
Other net loss	5	<b>(22,749)</b>	(598)
Distribution expenses		<b>(5,769)</b>	(5,361)
General and administrative expenses		<b>(11,345)</b>	(8,375)
Other operating expenses		<b>(12)</b>	(14)
<b>(Loss)/profit before operations</b>		<b>(30,155)</b>	3,433
Finance costs	6(i)	<b>(63)</b>	(43)
<b>(Loss)/profit before taxation</b>	6	<b>(30,218)</b>	3,390
Income tax expenses	7	<b>(1,119)</b>	(1,578)
<b>(Loss)/profit from continuing operations</b>		<b>(31,337)</b>	1,812

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2012

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2012	2011
	Notes	RMB'000	RMB'000
<i>Discontinued operations</i>			
Loss from discontinued operations (net of income tax)	8	—	(8,243)
<b>Loss for the period</b>		<b>(31,337)</b>	<b>(6,431)</b>
<b>Other comprehensive income for the period (after tax)</b>			
Exchange difference on translation of overseas operations		319	163
Cash flow hedge: net movement in the hedging reserve		—	17,884
		319	18,047
<b>Total comprehensive (expense)/ income for the period attributable to equity holders of the Company</b>		<b>(31,018)</b>	<b>11,616</b>
<b>Basic and diluted (loss)/earnings per share (RMB)</b>			
	10		
– from continuing and discontinued operations		(0.029)	(0.0085)
– from continuing operations		(0.029)	0.0024
– from discontinued operations		—	(0.0109)

The notes on pages 9 to 40 form part of this unaudited interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012  
(Expressed in Renminbi Yuan)

		<b>30 June 2012</b>	31 December 2011
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>2,804</b>	3,284
Intangible assets	12	<b>6,796</b>	8,349
Goodwill	13	<b>19,541</b>	19,541
Deferred tax assets		<b>346</b>	346
		<b>29,487</b>	31,520
<b>Current assets</b>			
Inventories	14	<b>2,807</b>	3,122
Trade and other receivables	15	<b>73,888</b>	48,128
Derivative financial instruments	16	–	4,263
Held for trading investments	17	<b>25,895</b>	–
Cash and cash equivalents	18	<b>16,198</b>	10,338
		<b>118,788</b>	65,851
<b>Current liabilities</b>			
Trade and other payables	19	<b>14,034</b>	5,975
Bank borrowing	20	<b>10,000</b>	–
Income tax payables		<b>963</b>	1,953
		<b>24,997</b>	7,928
<b>Net current assets</b>		<b>93,791</b>	57,923
<b>Total assets less current liabilities</b>		<b>123,278</b>	89,443

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

(Expressed in Renminbi Yuan)

		<b>30 June 2012</b>	31 December 2011
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current liabilities</b>			
Promissory note	21	—	59,658
<b>Net assets</b>		<b>123,278</b>	29,785
<b>Capital and reserves</b>			
Share capital	22	<b>13,109</b>	7,740
Reserves		<b>110,169</b>	22,045
<b>Total equity</b>		<b>123,278</b>	29,785

The unaudited interim financial report on pages 3 to 40 were approved and authorised for issue by the Board of Directors on 24 August 2012.

**King Pak Fu**  
*Director*

**Tsang To**  
*Director*

The notes on pages 9 to 40 form part of this unaudited interim financial report.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(Expressed in Renminbi Yuan)

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000 (Note 22)	Share premium RMB'000	Merger reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	
At 1 January 2011	5,962	213,003	386,600	27,785	935	(1,193)	76,470	709,562
Loss for the period	-	-	-	-	-	-	(6,431)	(6,431)
Total other comprehensive income	-	-	-	-	163	17,884	-	18,047
Special dividend by way of Distribution In Specie	-	(213,003)	(386,600)	(26,259)	(930)	(16,691)	(72,811)	(716,294)
Subscription of new shares	1,778	8,890	-	-	-	-	-	10,668
At 30 June 2011	7,740	8,890	-	1,526	168	-	(2,772)	15,552
At 1 January 2012	7,740	8,890	-	1,741	76	-	11,338	29,785
Loss for the period	-	-	-	-	-	-	(31,337)	(31,337)
Total other comprehensive income	-	-	-	-	319	-	-	319
Shares issued under placing	5,369	123,496	-	-	-	-	-	128,865
Share issue expenses	-	(4,354)	-	-	-	-	-	(4,354)
<b>At 30 June 2012</b>	<b>13,109</b>	<b>128,032</b>	<b>-</b>	<b>1,741</b>	<b>395</b>	<b>-</b>	<b>(19,999)</b>	<b>123,278</b>

The notes on pages 9 to 40 form part of this unaudited interim financial report.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

(Expressed in Renminbi Yuan)

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Cash used in operating activities</b>		<b>(16,563)</b>	(258,124)
PRC income tax paid		<u>(2,109)</u>	<u>(9,387)</u>
<b>Net cash used in operating activities</b>		<u><b>(18,672)</b></u>	<u>(267,511)</u>
<b>Net cash used in investing activities</b>		<u><b>(32,330)</b></u>	<u>(230,711)</u>
<b>Net cash generated from financing activities</b>		<u><b>56,556</b></u>	<u>297,111</u>
<b>Effect of foreign exchange rate changes on cash</b>		<u><b>306</b></u>	<u>163</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,860</b>	(200,948)
<b>Cash and cash equivalents at the beginning of period</b>		<u><b>10,338</b></u>	<u>222,760</u>
<b>Cash and cash equivalents at the end of period</b>	18	<u><b>16,198</b></u>	<u>21,812</u>

The notes on pages 9 to 40 form part of this unaudited interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

## 1. BASIS OF PREPARATION

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

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 audited annual financial statements, except for the new and revised International Financial Reporting Standards ("IFRSs") that are expected to be reflected in the 2012 audited annual financial statements. Details of the new and revised IFRSs are set out in note 2.

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

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 audited annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards and related interpretations.

The financial information relating to the financial year ended 31 December 2011 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company's audited annual financial statements for that financial year but is derived from those financial statements. The Group's audited annual financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2012.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 2. NEW AND REVISED IFRSs

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

- Amendments to IFRS 7, Financial Instruments: Disclosures – Transfers of financial assets
- Amendments to IAS 12, Income taxes – Deferred tax: Recovery of underlying assets

The adoption of these amendments to IFRSs has no material impact on the Group's result and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

### 3. SEGMENT REPORTING

The Group manages its business 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 purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

#### ***Continuing operations:***

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC").
- Trading and investment business: Trading of securities listed on the Hong Kong Stock Exchange.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 3. SEGMENT REPORTING (continued)

#### ***Discontinued operations:***

- Bare copper wires: The manufacturing and sale of bare copper wires and provision of processing services of copper wires.
- Magnet wires: The manufacturing and sale of magnet wires.

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

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank 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/(loss) is the “adjusted profit/(loss) before taxation”. To arrive at adjusted profit/(loss) before taxation, the Group’s (loss)/earnings are adjusted for items not specifically attributed to individual segments, such as share of profits less losses of an associate, directors’ and auditors’ remuneration and other head office or corporate administration costs. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

## 3. SEGMENT REPORTING (continued)

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

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2012 is set out below.

	Software business		Trading and investment business		Bare copper wires (Discontinued)		Magnet wires (Discontinued)		Consolidated	
	Six months ended 30 June 2012		Six months ended 30 June 2011		Six months ended 30 June 2012		Six months ended 30 June 2011		Six months ended 30 June 2012	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	66,191	65,861	-	-	-	522,904	-	277,355	66,191	866,120
Investment income and net loss	-	-	(6,353)	-	-	-	-	-	(6,353)	-
Inter-segment revenue	-	-	-	-	-	204,165	-	-	-	204,165
Reportable segment revenue	66,191	65,861	(6,353)	-	-	727,069	-	277,355	59,838	1,070,285
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	4,886	6,928	(6,481)	-	-	(13,945)	-	4,520	(1,595)	(2,497)

	Software business		Trading and investment business		Bare copper wires (Discontinued)		Magnet wires (Discontinued)		Consolidated	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	92,162	70,684	26,081	-	-	-	-	-	118,243	70,684
Additions to non-current segment assets during the period/year	94	2,581	-	-	-	371	-	6	94	2,958
Reportable segment liabilities	24,784	7,072	-	-	-	-	-	-	24,784	7,072

The Group's operations are mostly located in the PRC. During the six months ended 30 June 2011, a substantial proportion of the Group's products from discontinued operations were sold to its customers for further processing and eventual export to overseas countries.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 3. SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	<b>59,838</b>	1,070,285
Elimination of inter-segment revenue	–	(204,165)
Discontinued operations	–	(800,259)
Total	<b>59,838</b>	65,861
<b>(Loss)/profit before taxation</b>		
Reportable segment loss		
before taxation	<b>(1,595)</b>	(2,497)
Elimination of inter-segment loss	–	2,144
Reportable segment loss derived		
from the Group's external customers	<b>(1,595)</b>	(353)
Share of profit of associate	–	75
Unallocated head office and		
corporate expenses	<b>(28,623)</b>	(3,631)
Profit from discontinued operations	–	7,299
Total	<b>(30,218)</b>	3,390

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 3. SEGMENT REPORTING (continued)

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

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
<b>Assets</b>		
Reportable segment assets	<b>118,243</b>	70,684
Deferred tax assets	<b>346</b>	346
Unallocated head office and corporate assets	<b>29,686</b>	26,341
Total	<b>148,275</b>	97,371
<b>Liabilities</b>		
Reportable segment liabilities	<b>24,784</b>	7,072
Unallocated head office and corporate liabilities	<b>213</b>	60,514
Total	<b>24,997</b>	67,586

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 3. SEGMENT REPORTING (continued)

#### (c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and 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.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		Six months ended 30 June	31 December
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	(6,353)	–	128	128
PRC	66,191	65,861	29,013	31,046
	59,838	65,861	29,141	31,174



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 4. TURNOVER

The principal activities of the Group are the provision of integrated business software solutions, trading and investment business, manufacturing and sale of bare copper wires and magnet wires and provision of processing services in the PRC.

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

#### *Continuing operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Software maintenance and other services	<b>64,475</b>	64,419
Sales of software products and others	<b>1,716</b>	1,442
Fair value losses on held for trading investments	<b>(6,353)</b>	—
	<b>59,838</b>	65,861

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 4. TURNOVER (continued)

#### *Discontinued operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Sales of bare copper wires	–	522,166
Sales of magnet wires	–	277,355
Processing services	–	738
	–	800,259

### 5. OTHER NET (LOSS)/INCOME

#### *Continuing operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Net loss on derivative financial instruments	<b>(4,263)</b>	(501)
Change in fair value of promissory note	–	(89)
Loss on early redemption of promissory note	<b>(18,234)</b>	–
Net exchange loss	<b>(252)</b>	(8)
	<b>(22,749)</b>	(598)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 5. OTHER NET (LOSS)/INCOME (continued)

#### *Discontinued operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Net exchange gain	–	1,297
Loss on sales of scrap materials	–	(314)
Net gain on derivative financial instruments	–	518
	<u>–</u>	<u>1,501</u>

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

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

#### **(i) Finance costs**

#### *Continuing operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Interest expenses	<u><b>63</b></u>	<u>43</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

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

#### (i) Finance costs (continued)

##### *Discontinued operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Interest expenses	–	9,883
Letter of credit charges	–	1,141
	<u>–</u>	<u>11,024</u>

#### (ii) Staff costs

##### *Continuing operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	<b>5,072</b>	5,532
Contributions to defined contribution retirement schemes	<b>651</b>	903
	<u><b>5,723</b></u>	<u>6,435</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

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

#### (ii) Staff costs (continued)

##### *Discontinued operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	–	3,942
Contributions to defined contribution retirement schemes	–	398
	<u>–</u>	<u>4,340</u>

#### (iii) Other items

##### *Continuing operations*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Cost of inventories	<b>1,140</b>	756
Depreciation	<b>562</b>	385
Amortisation of intangible assets	<b>1,553</b>	2,136
Operating lease charges in respect of properties	<b>1,760</b>	1,469

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

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

### (iii) Other items (continued)

#### *Discontinued Operations*

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Cost of inventories	–	791,922
Depreciation	–	2,369
Amortisation of lease prepayments	–	320
Operating lease charges in respect of properties	–	49
	<u>–</u>	<u>794,660</u>

## 7. INCOME TAX EXPENSES

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
<hr/>				
<b>Current tax – PRC</b>				
Provision for the period	1,119	1,578	–	1,655
<b>Deferred tax</b>				
Origination and reversal of temporary differences	–	–	–	(711)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,119	1,578	–	944
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 7. INCOME TAX EXPENSES (continued)

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

No provision for Hong Kong profits tax has been made for the year 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.

Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") is entitled to a preferential income tax rate of 15% for 2012 and 2011 as Beijing OLM was awarded high-tech status by the respective tax authorities.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2012.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 8. DISCONTINUED OPERATIONS

Following the approval by the shareholders of the Company in an extraordinary general meeting on 8 February 2011, the share transfer and subscription agreement dated 8 November 2010 entered into between Tai-I International (BVI) Limited ("Tai-I (BVI)"), Affluent Start Holdings Investment Limited ("Affluent Start"), Mr. Hsu Shou-Hsin, Mr. King Pak Fu and the Company (the "Agreement") and the distribution by the Company of all the shares of Tai-I International Bermuda Co., Ltd's ("Tai-I Bermuda") to the shareholders of the Company on a pro rata basis (Distribution In Specie") have been completed on 11 February 2011. The results of the Tai-I Bermuda and its subsidiaries (the "Tai-I Bermuda Group") which constituted discontinued operations during the period from 1 January 2011 to 11 February 2011 are set out below:

		<b>Six months ended 30 June 2012</b>	From 1 January 2011 to 11 February 2011
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>	4	—	800,259
Cost of sales		—	(791,922)
<b>Gross profit</b>		—	8,337
Other revenue		—	1,184
Other net income	5	—	1,501
Distribution expenses		—	(2,321)
General and administrative expenses		—	(3,010)
Other operating expenses		—	(2,041)



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

## 8. DISCONTINUED OPERATIONS (continued)

		<b>Six months ended 30 June 2012</b>	From 1 January 2011 to 11 February 2011
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit before operations</b>		–	3,650
Finance costs	6(i)	–	(11,024)
Share of profit of associate		–	75
<b>Loss before taxation</b>	6	–	(7,299)
Income tax expenses	7	–	(944)
Loss from discontinued operations		–	(8,243)
<b>Other comprehensive income for the period (after tax)</b>			
Exchange difference on translation of overseas operations		–	331
Cash flow hedge: net movement in the hedging reserve		–	17,884
<b>Total comprehensive income for the period</b>		–	9,972

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 8. DISCONTINUED OPERATIONS (continued)

Analysis of the net cash flows from the Tai-I Bermuda Group during the period from 1 January 2011 to 11 February 2011 are set out below:

	<b>Six months ended 30 June 2012 RMB'000</b>	From 1 January 2011 to 11 February 2011 RMB'000
Operating activities	–	(278,696)
Investing activities	–	(230,500)
Financing activities	–	519,029
Net cash inflow	–	9,833

	<b>Six months ended 30 June 2012 RMB'000</b>	From 1 January 2011 to 11 February 2011 RMB'000
Net outflow of cash and cash equivalents in respect of Distribution In Specie	–	(221,918)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 8. DISCONTINUED OPERATIONS (continued)

The Company distributed its equity interest in the Tai-I Bermuda to its shareholders and the net assets of the Tai-I Bermuda Group at the date of distribution on 11 February 2011 are set out below:

	11 February 2011 RMB'000
Property, plant and equipment	406,016
Lease prepayments	30,439
Interest in an associate	18,826
Deferred tax assets	20,099
Inventories	341,956
Trade and other receivables	1,844,831
Derivative financial instruments	25,542
Pledged deposits	105,904
Time deposits	447,646
Cash and cash equivalents	221,918
Assets classified as held for distribution	3,463,177
Bank loans	(1,601,158)
Trade and other payables	(1,128,786)
Derivative financial instruments	(21,645)
Income tax recoverable	4,706
Liabilities classified as held for distribution	(2,746,883)
Net assets distributed	716,294

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 9. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Distribution In Specie*	<u>—</u>	<u>716,294</u>

- \* Pursuant to the approval by the shareholders of the Company at an extraordinary general meeting held on 8 February 2011, a non-cash special dividend satisfied by way of the Distribution In Specie was effected. Tai-I Bermuda's shares were distributed by the Company in the proportion of one Tai-I Bermuda's share for every ordinary share in the Company held by the shareholders recorded on the register of members of the Company as at the close of business on 8 February 2011. An aggregate of 596,158,000 Tai-I Bermuda's shares were distributed by the Company pursuant to the Distribution In Specie.

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

The calculation of basic and diluted (loss)/earnings per share for the six months ended 30 June 2012 is based on the loss attributable to equity holders of the Company of RMB31,337,000 (six months ended 30 June 2011: RMB6,431,000) and the weighted average of 1,088,378,314 (six months ended 30 June 2011: 758,588,939) shares in issue during the period, calculated as follows:

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

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

### (i) (Loss)/profit attributable to equity holders of the Company

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>
(Loss)/profit for the period from continuing operations	<b>(31,337)</b>	1,812
Loss for the period from discontinued operations	<b>—</b>	(8,243)
Loss for the period attributable to equity holders of the Company	<b>(31,337)</b>	(6,431)

### (ii) Weighted average number of shares

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>Number of shares</b>	<b>Number of shares</b>
Ordinary shares issued at 1 January	<b>806,158,000</b>	596,158,000
Effect of placing of new shares	<b>282,220,314</b>	—
Effect of subscription of new shares	<b>—</b>	162,430,939
Weighted average number of shares at 30 June	<b>1,088,378,314</b>	758,588,939

There were no dilutive potential ordinary shares in issue as at 30 June 2012 (30 June 2011: Nil).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Machinery, equipment and tools</b> <i>RMB'000</i>	<b>Motor vehicles and other fixed assets</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>			
At 1 January 2011	752	1,463	2,215
Additions	466	2,115	2,581
Disposals	(63)	(71)	(134)
At 31 December 2011	1,155	3,507	4,662
Additions	94	–	94
Disposals	–	(247)	(247)
At 30 June 2012	1,249	3,260	4,509
<b>Accumulated depreciation</b>			
At 1 January 2011	(275)	(300)	(575)
Charge for the year	(388)	(544)	(932)
Written back on disposal	58	71	129
At 31 December 2011	(605)	(773)	(1,378)
Charge for the period	(376)	(186)	(562)
Written back on disposal	–	235	235
At 30 June 2012	(981)	(724)	(1,705)
<b>Net book value</b>			
At 30 June 2012	<b>268</b>	<b>2,536</b>	<b>2,804</b>
At 31 December 2011	550	2,734	3,284

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

## 12. INTANGIBLE ASSETS

	Customer relationships <i>RMB'000</i>	Customer contracts <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Firewall patents <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
At 1 January 2011, 31 December 2011 and 30 June 2012	7,262	3,015	2,815	665	13,757
<b>Accumulated amortisation</b>					
At 1 January 2011	(557)	(1,090)	–	(156)	(1,803)
Amortisation during the year	(1,816)	(1,346)	–	(443)	(3,605)
At 31 December 2011	(2,373)	(2,436)	–	(599)	(5,408)
Amortisation during the period	(908)	(579)	–	(66)	(1,553)
At 30 June 2012	(3,281)	(3,015)	–	(665)	(6,961)
<b>Net book value</b>					
At 30 June 2012	<b>3,981</b>	<b>–</b>	<b>2,815</b>	<b>–</b>	<b>6,796</b>
At 31 December 2011	4,889	579	2,815	66	8,349

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 13. GOODWILL

Goodwill of approximately RMB19,541,000 was recognised in respect of the acquisition of Liang Hui Holdings Limited and its subsidiaries on 10 September 2010. No impairment loss was recognised as at 30 June 2012 (31 December 2011: Nil).

### 14. INVENTORIES

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
<i>Inventories comprise:</i>		
Standard software	<b>5,082</b>	5,396
Low value consumables	<b>31</b>	32
	<b>5,113</b>	5,428
Less: Stock provision	<b>(2,306)</b>	(2,306)
	<b>2,807</b>	3,122



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 15. TRADE AND OTHER RECEIVABLES

		<b>30 June 2012</b>	31 December 2011
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	(i)	<b>34,098</b>	20,419
Deposits and prepayments made to suppliers	(ii)	<b>35,874</b>	24,551
Other receivables		<b>3,916</b>	3,158
		<b>73,888</b>	48,128

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

Notes:

- (i) Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of each reporting period:

	<b>30 June 2012</b>	31 December 2011
Invoice date	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 month	<b>9,173</b>	7,088
Over 1 month but less than 3 months	<b>16,793</b>	9,915
Over 3 months but less than 1 year	<b>7,648</b>	3,166
Over 1 year but less than 2 years	<b>436</b>	164
Over 2 years	<b>48</b>	86
	<b>34,098</b>	20,419

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 15. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

- (ii) The Group is required to make certain prepayment according to the agreement entered into with the Group's largest supplier, Oracle (China) Software System Co., Ltd. ("Oracle"). As at 30 June 2012, prepayments made to Oracle amounted to approximately RMB33,261,000 (as at 31 December 2011: RMB24,322,000). These prepayments are unsecured, interest free and will be used to offset against future purchases from Oracle.

### 16. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Put option	<u>-</u>	<u>4,263</u>

The put option was granted by Advance Mode Limited to Winsino Investments Limited ("Winsino"), a wholly-owned subsidiary of the Company. Upon exercise of the put option, Winsino is entitled to transfer to Advance Mode Limited all acquired shares and shareholder loans any time on or before the expiry of an 18 months period, and the promissory note issued (note 21) shall be returned to Winsino for cancellation. The unrealised loss of RMB501,000 for the six months ended 30 June 2011 arising from the changes in the fair value of the put option is recognised in the profit or loss for the period. The put option was expired during the six months ended 30 June 2012.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 17. HELD FOR TRADING INVESTMENTS

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Listed equity securities at fair value		
– in Hong Kong	<b>25,895</b>	–

### 18. CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents is set out below:

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Cash on hand	<b>271</b>	118
Deposits on demand	<b>15,927</b>	10,220
Cash and cash equivalents	<b>16,198</b>	10,338

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 19. TRADE AND OTHER PAYABLES

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Trade creditors	<b>10,928</b>	2,170
Non-trade payables and accrued expenses	<b>1,461</b>	3,061
Other taxes payable	<b>1,645</b>	744
	<b>14,034</b>	5,975

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

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of each reporting period:

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Due within 3 months or on demand	–	2,170
Due after 3 months but within 6 months	<b>10,256</b>	–
Due after 6 months but within 1 year	<b>11</b>	–
Due after 1 year but within 2 years	<b>661</b>	–
Due after 2 years	–	–
	<b>10,928</b>	2,170

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 20. BANK BORROWING

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
<b>Current</b>		
Bank borrowing repayable within 3 months	<b>10,000</b>	—

In May 2012, the Group entered into RMB10,000,000 term-loan facility with a bank with maturity period of three months, which bears interest at 8% per annum. The loan is secured by corporate guarantee of a subsidiary of the Group.

### 21. PROMISSORY NOTE

In connection with the acquisition of Liang Hui Holdings Limited and its subsidiaries on 10 September 2010, Winsino issued a non-transferrable, interest free promissory note (the "Promissory Note") with a principal amount of HK\$96,000,000 to Advance Mode Limited, which is wholly owned by Mr. Lo Kai Bong, a former executive director of the Company. The Promissory Note is payable upon the expiry of a period of 18 months from the date of issuance unless the put option described in note 16 is exercised by Winsino in which event, the Promissory Note shall be returned to Winsino for cancellation.

On 31 December 2011, Advance Mode Limited and Winsino entered into an agreement, pursuant to which the maturity date of the Promissory Note was extended for a period of 24 months from 10 March 2012. No interest shall be payable on all or any portion of the Promissory Note outstanding at any time during this period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 21. PROMISSORY NOTE (continued)

In the financial statements for the year ended 31 December 2011, the Promissory Note has been designated by the Company as being at fair value through profit or loss on its initial recognition. The estimate of the fair value of the Promissory Note was measured by using the discounted cash flow model based on the estimated future cash flows of the Promissory Note and the applicable discount rate. The estimated future cash flows were determined based on the contracted terms of the Promissory Note while the discount rate used as of 31 December 2011 of 12.88% was estimated with reference to published rates of comparable businesses.

The fair value of the Promissory Note on the date of its issue on 10 September 2010 was approximately RMB77,137,000 and its fair value as at 31 December 2011 was approximately RMB59,658,000. The Group early redeemed the Promissory Note and recognised a loss on reversal of change in fair value of Promissory Notes in prior years due to the early redemption of approximately RMB18,234,000 for the six months ended 30 June 2012.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 22. SHARE CAPITAL

	<i>Notes</i>	<b>30 June 2012</b>		31 December 2011	
		<b><i>Number of</i></b>	<b><i>Amount</i></b>	<i>Number of</i>	<i>Amount</i>
		<b><i>shares</i></b>	<b><i>HK\$</i></b>	<i>shares</i>	<i>HK\$</i>
<b>Authorised:</b>					
Ordinary shares of HK\$0.01 each		<b>1,000,000,000</b>	<b>10,000,000</b>	1,000,000,000	10,000,000
Increase in authorised share capital on 10 April 2012	(i)	<b>2,000,000,000</b>	<b>20,000,000</b>	–	–
Ordinary shares at 30 June/31 December		<b>3,000,000,000</b>	<b>30,000,000</b>	1,000,000,000	10,000,000
<b>Issued and fully paid:</b>					
At 1 January		<b>806,158,000</b>	<b>8,061,580</b>	596,158,000	5,961,580
Shares issued under placing	(ii)	<b>661,231,600</b>	<b>6,612,316</b>	–	–
Subscription of new shares	(iii)	–	–	210,000,000	2,100,000
At 30 June/31 December		<b>1,467,389,600</b>	<b>14,673,896</b>	806,158,000	8,061,580
			<b>RMB equivalent</b>		<b>RMB equivalent</b>
			<b>13,109,046</b>		7,739,650

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 22. SHARE CAPITAL (continued)

*Notes:*

- (i) Pursuant to an ordinary resolution passed by the Company's shareholders at an extraordinary general meeting held on 10 April 2012, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$30,000,000 by the creation of an additional 2,000,000,000 shares of HK\$0.01 each.
- (ii) Pursuant to a placing agreement dated on 27 February 2012, a total of 661,231,600 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.24 per share (the "Placing"). Shares issued under the Placing included 161,231,600 shares under general mandate and 500,000,000 shares under specific mandate.
- (iii) Following the completion of the Agreement on 11 February 2011, the Company issued 210,000,000 new shares at HK\$0.06 each to Affluent Start, a holding company of the Company. The subscription has resulted in an increase in the share capital and share premium account by HK\$2,100,000 (equivalent to RMB1,778,070) and HK\$10,500,000 (equivalent to RMB8,890,350) respectively.

### 23. COMMITMENTS

#### (i) Capital commitments

The Group has no significant capital commitments as at 30 June 2012 and 31 December 2011.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

### 23.COMMITMENTS (continued)

#### (ii) Lease commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follow:

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Less than one year	<b>2,738</b>	3,296
Between one and two years	<b>808</b>	2,203
Between two and three years	<b>–</b>	168
	<b>3,546</b>	5,667

The Group leased a number of properties under operating leases during the interim period. None of the leases includes contingent rentals.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

For the six months ended 30 June 2012, the Group recorded a turnover of approximately RMB59,838,000 (six months ended 30 June 2011: RMB65,861,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB64,475,000 (six months ended 30 June 2011: RMB64,419,000); (ii) sale of software products and others amounted to approximately RMB1,716,000 (six months ended 30 June 2011: RMB1,442,000); and (iii) fair value losses of approximately RMB6,353,000 on held for trading investments (six months ended 30 June 2011: Nil).

#### Gross Profit

For the six months ended 30 June 2012, the Group recorded a gross profit of approximately RMB9,710,000 (six months ended 30 June 2011: RMB17,764,000).

#### Other Net Loss

For the six months ended 30 June 2012, other net loss was approximately RMB22,749,000 (six months ended 30 June 2011: RMB598,000), which was mainly attributable to (i) net loss of approximately RMB4,263,000 on derivative financial instruments (six months ended 30 June 2011: RMB501,000); (ii) loss of approximately RMB18,234,000 on reversal of change in fair value of the Promissory Note in prior years due to the early redemption (six months ended 30 June 2011: Nil); and (iii) net exchange loss of approximately RMB252,000 (six months ended 30 June 2011: RMB8,000).

#### Finance Costs

For the six months ended 30 June 2012, finance cost of interest expenses was approximately RMB63,000 (six months ended 30 June 2011: RMB43,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Loss for the Period

For the six months ended 30 June 2012, the Group recorded a loss for the period of approximately RMB31,337,000 from continuing operations (six months ended 30 June 2011: profit of RMB1,812,000 from continuing operations).

### Liquidity and Financial Resources

The Group's working capital is funded by the cash generated by operating and financing activities. As at 30 June 2012, the Group maintained cash and cash equivalents amounted to approximately RMB16,198,000 (31 December 2011: RMB10,338,000). As at 30 June 2012, the Group's current ratio was approximately 4.8 times (31 December 2011: 8.3 times); and the Group's net gearing ratio at 30 June 2012 was zero as the Group had no net borrowing or debt (31 December 2011: Nil) (net debt is calculated as total borrowings less cash and cash equivalents).

### 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 of 30 June 2012, the Group had no pledge of assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings (31 December 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Redemption of Promissory Note

On 31 December 2011, Winsino Investments Limited ("Winsino"), a wholly-owned subsidiary of the Company, entered into an agreement with Advance Mode Limited ("Advance Mode"), a company wholly-owned by Mr. Lo Kai Bong (a former executive Director resigned on 13 February 2012), pursuant to which the Promissory Note with a principal amount of HK\$96,000,000 issued by Winsino in favour of Advance Mode was extended for a period of 24 months from 10 March 2012 with no interest payable.

The Group early redeemed the Promissory Note and recognised a loss on reversal of change in fair value of the Promissory Note in prior years due to the early redemption of the Promissory Note of approximately RMB18,234,000 for the six months ended 30 June 2012. An unrealised loss of approximately RMB89,000 arising from the changes in fair value of the Promissory Note, was recognised in the profit or loss for the six months ended 30 June 2011.

### Capital Structure

The Group adopts a prudent treasury policy. The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2012 was 475% (30 June 2011: 84.07%) and the quick ratio (calculated as balance of current assets less inventories, divided by current liabilities multiplied by 100%) as at 30 June 2012 was 464% (30 June 2011: 80.73%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 27 February 2012, the Company entered into a placing agreement with the placing agent for the placing of:–

- (i) up to 161,231,600 new shares to not less than six placees at the placing price of HK\$0.24 per placing share under the general mandate to issue new shares granted to the Directors at the annual general meeting of the Company held on 16 May 2011. The said placing was completed on 5 March 2012 and the Company issued and allotted 161,231,600 new shares and raised net proceeds of approximately HK\$37 million for the Group's general working capital needs; and
- (ii) up to 500,000,000 new shares to not less than six placees at the placing price of HK\$0.24 per share which is subject to the fulfillment of conditions including the passing of an ordinary resolution by the shareholders of the Company for the issue and allotment of the said shares and the increase in the authorised share capital of the Company. Shareholders' approval was obtained pursuant to an ordinary resolution passed in the extraordinary general meeting held on 10 April 2012. Net proceeds of approximately HK\$115.8 million were raised and were used to reduce the indebtedness of the Group and to finance the Group's general working capital needs.

Pursuant to the above ordinary resolution passed by the Company's shareholders on 10 April 2012, the authorised share capital of the Company was increased from HK\$10,000,000 comprising 1,000,000,000 shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 shares by the creation of an additional 2,000,000,000 shares of HK\$0.01 each.

### **Significant Investments**

There were no significant investments held by the Group as at 30 June 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2012, the Group has not made any material acquisition or disposal of subsidiaries or associated companies.

### **Employees and Remuneration Policies**

As at 30 June 2012, the Group employed 90 full time employees (30 June 2011: 90). The remuneration package of employees is determined by reference to their performance, experience, their 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 (the “MPF Scheme”) for all qualifying employees in Hong Kong.

### **Contingent Liabilities**

As at 30 June 2012, there was no significant contingent liability (30 June 2011: Nil).

## **INTERIM DIVIDEND**

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: 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 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Global economic conditions remain challenging in 2012. China, the largest economy in Asia, had its GDP growth rate dropped to 7.6% in the second quarter of 2012, reaching the slowest pace since 2009. The Group recorded a slight increase in turnover of software business segment of 0.5% from RMB65,861,000 for the six months ended 30 June 2011 to RMB66,191,000 for the six months ended 30 June 2012. The gross profit ratio decreased from 27% to 24%, which was mainly attributable to a decrease in software business segment profits before tax from RMB6,928,000 to RMB4,886,000. The Group will continue to concentrate and enhance on customized development of applications as a value-added service to customers, and sell self-developed firewall and other software products.

### OUTLOOK

Apart from the software business, we are actively searching for other business opportunities so as to diversify our business to bring returns to our shareholders.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

### Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. King Pak Fu	Controlled corporation	Long position	604,355,000 (Note)	41.19%

*Note:* These 604,355,000 ordinary shares of the Company are held through Affluent Start Holdings Investment Limited ("Affluent Start"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 30 June 2012, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### 1. Aggregate long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Affluent Start Holdings Investment Limited	Beneficial owner	604,355,000	41.19%

#### 2. Aggregate short position in the shares and underlying shares of the Company

As at 30 June 2012, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2012.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) on 18 December 2006. Pursuant to the Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the Scheme) for subscription of the Company’s shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the Scheme.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Former CG Code”) contained in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was recently revised and renamed as Corporate Governance Code and Corporate Governance Report (the “New CG Code”) with effect from 1 April 2012, as its own code of corporate governance practices.

During the six months ended 30 June 2012, the Company was in compliance with all the code provisions under the Former CG Code and the New CG Code except for the deviations from code provisions E.1.2 and D.1.4 which are explained as follows:–

Code provision E.1.2 of the Former CG Code requires that the Chairman of the Board should attend the annual general meeting of the Company. Mr. King Pak Fu, the Chairman of the Board, did not attend the 2012 annual general meeting of the Company as he was on a business trip. However, he has actively participated in the Board meetings to get involved in the Company’s affairs.

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES (continued)

Under code provision D.1.4 of the New CG Code, 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 Messrs. King Pak Fu, Jia Bowei and Tsang To. However, the Directors shall be subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Former CG Code and the New CG Code during the six months ended 30 June 2012.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman. The unaudited interim results of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

By Order of the Board  
**Enterprise Development Holdings Limited**  
**King Pak Fu**  
*Chairman*

Hong Kong, 24 August 2012