



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

2016

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lam Kai Tai (*Chairman*)
Kwok Ho On Anthony
Wang Jun
Wong Ho Sing

Independent Non-executive Directors

Yau Yan Ming Raymond
Hu Gin Ing
Liu Kam Lung

COMPANY SECRETARY

Ng Wing Ching

AUTHORISED REPRESENTATIVES

Lam Kai Tai
Ng Wing Ching

AUDIT COMMITTEE

Yau Yan Ming Raymond (*Committee Chairman*)
Hu Gin Ing
Liu Kam Lung

REMUNERATION COMMITTEE

Yau Yan Ming Raymond (*Committee Chairman*)
Lam Kai Tai
Hu Gin Ing
Liu Kam Lung

NOMINATION COMMITTEE

Yau Yan Ming Raymond (*Committee Chairman*)
Lam Kai Tai
Hu Gin Ing
Liu Kam Lung

CORPORATE GOVERNANCE COMMITTEE

Lam Kai Tai (*Committee Chairman*)
Wong Ho Sing
Wang Jun

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2810, 28th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

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

The notes on pages 9 to 34 form part of this unaudited interim financial report.

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 |
| (Loss)/profit for the period | (124,040) | 171,495 |
| Other comprehensive (expense)/income for the period (after tax) | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange difference on translation of financial statements of overseas operations | (814) | 3,257 |
| Share of exchange difference of an associate | (30) | – |
| Total comprehensive (expense)/income for the period | (124,884) | 174,752 |
| Attributable to: | | |
| Equity shareholders of the Company | (130,624) | 172,146 |
| Non-controlling interests | 5,740 | 2,606 |
| Total comprehensive (expense)/income for the period | (124,884) | 174,752 |

The notes on pages 9 to 34 form part of this unaudited interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in Renminbi)

| | Notes | At 30 June 2016 (Unaudited) RMB'000 | At 31 December 2015 (Audited) RMB'000 |
|--|-------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 3,250 | 3,140 |
| Intangible assets | | 2,815 | 2,815 |
| Goodwill | 9 | 121,482 | 213,646 |
| Interests in an associate | 10 | 63,027 | – |
| Available-for-sale securities | 11 | 12,775 | 52,689 |
| Pledged bank deposits | | 7,840 | 3,054 |
| Deferred tax assets | | 381 | 380 |
| | | 211,570 | 275,724 |
| Current assets | | | |
| Inventories | | 2,969 | 954 |
| Trade and other receivables | 12 | 265,796 | 199,521 |
| Trading securities | 13 | 122,308 | 118,031 |
| Cash and cash equivalents | | 30,335 | 81,803 |
| | | 421,408 | 400,309 |
| Total assets | | 632,978 | 676,033 |
| Current liabilities | | | |
| Trade and other payables | 14 | 82,222 | 100,162 |
| Promissory notes | 15 | – | 42,147 |
| Borrowings | 16 | 26,041 | 6,317 |
| Current taxation | | 4,388 | 3,746 |
| | | 112,651 | 152,372 |
| Net current assets | | 308,757 | 247,937 |
| Total assets less current liabilities | | 520,327 | 523,661 |

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in Renminbi)

| | <i>Notes</i> | At 30 June 2016 (Unaudited) RMB'000 | At 31 December 2015 (Audited) RMB'000 |
|--|--------------|--|---|
| Non-current liabilities | | | |
| Deferred tax liability | | 47 | 46 |
| Promissory notes | 15 | 43,182 | – |
| | | 43,229 | 46 |
| Net assets | | | |
| | | 477,098 | 523,615 |
| Capital and reserves | | | |
| Share capital | 17 | 35,117 | 24,414 |
| Reserves | | 358,163 | 421,123 |
| Total equity attributable to equity shareholders of the Company | | | |
| | | 393,280 | 445,537 |
| Non-controlling interests | | | |
| | | 83,818 | 78,078 |
| Total equity | | | |
| | | 477,098 | 523,615 |

The notes on pages 9 to 34 form part of this unaudited interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in Renminbi)

| Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---------------|----------------|----------------|-----------------------|------------------|--------------------------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Other reserve | PRC statutory reserve | Exchange reserve | Retained profits/ (accumulated loss) | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Note 17) | | | | | | | | |
| Balance at 1 January 2015 | 18,194 | 244,194 | (8,440) | 3,262 | 391 | 160 | 257,761 | 72,155 | 329,916 |
| Changes in equity for the six months ended 30 June 2015: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 168,895 | 168,895 | 2,600 | 171,495 |
| Other comprehensive income | - | - | - | - | 3,251 | - | 3,251 | 6 | 3,257 |
| Total comprehensive income | - | - | - | - | 3,251 | 168,895 | 172,146 | 2,606 | 174,752 |
| Shares issued under placing | 3,804 | 91,303 | - | - | - | - | 95,107 | - | 95,107 |
| Shares issue expenses | - | (2,860) | - | - | - | - | (2,860) | - | (2,860) |
| Issue of shares as consideration of acquisition of a subsidiary | 2,412 | 28,944 | - | - | - | - | 31,356 | - | 31,356 |
| Balance at 30 June 2015 | 24,410 | 361,581 | (8,440) | 3,262 | 3,642 | 169,055 | 553,510 | 74,761 | 628,271 |
| Balance at 1 January 2016 | 24,414 | 399,069 | (8,440) | 3,493 | 19,636 | 7,365 | 445,537 | 78,078 | 523,615 |
| Changes in equity for the six months ended 30 June 2016: | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (129,332) | (129,332) | 5,292 | (124,040) |
| Other comprehensive expense | - | - | - | - | (1,292) | - | (1,292) | 448 | (844) |
| Total comprehensive expense | - | - | - | - | (1,292) | (129,332) | (130,624) | 5,740 | (124,884) |
| Shares issued under placing | 10,703 | 70,330 | - | - | - | - | 81,033 | - | 81,033 |
| Share issue expenses | - | (2,666) | - | - | - | - | (2,666) | - | (2,666) |
| Transfer from retained profits | - | - | - | 94 | - | (94) | - | - | - |
| Balance at 30 June 2016 | 35,117 | 466,733 | (8,440) | 3,587 | 18,344 | (122,061) | 393,280 | 83,818 | 477,098 |

The notes on pages 9 to 34 form part of this unaudited interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016

(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|---|--------------------------------|
| | 2016 (Unaudited) RMB'000 | 2015 (Unaudited) RMB'000 |
| Cash used in operations | (78,693) | (36,483) |
| PRC income taxes paid | (3,698) | (1,897) |
| Net cash used in operating activities | (82,391) | (38,380) |
| Net cash used in investing activities | (65,914) | (3,126) |
| Net cash generated from financing activities | 95,716 | 2,662 |
| Net decrease in cash and cash equivalents | (52,589) | (38,844) |
| Cash and cash equivalents at 1 January | 81,803 | 57,501 |
| Effect of foreign exchanges rates changes | 1,121 | 2,454 |
| Cash and cash equivalents at 30 June | 30,335 | 21,111 |

The notes on pages 9 to 34 form part of this unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1. BASIS OF PREPARATION

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

The unaudited interim financial report has 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 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 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1. BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2015 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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 major reportable segments.

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

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

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

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

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

| | 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 |
| Reportable segment revenue | 215,824 | 141,663 | 3,994 | 194,024 | 4,780 | 3,005 | 63 | - | 224,661 | 338,692 |
| Reportable segment (loss)/profit (adjusted (loss)/profit before taxation) | 18,602 | 8,909 | 3,983 | 193,523 | (100,525) | 110 | (327) | - | (78,267) | 202,542 |
| Interest income from bank deposits | 36 | 49 | - | - | - | - | - | - | 36 | 49 |
| Interest expenses | 441 | 366 | - | - | 37 | 25 | - | - | 478 | 391 |
| Depreciation and amortisation for the period | 506 | 490 | - | - | 386 | 133 | 4 | - | 896 | 623 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

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

| | Software business | | Trading and investment business | | Mobile marketing business | | Others | | Total | |
|--|-------------------|---------------------|---------------------------------|---------------------|---------------------------|---------------------|-----------------|---------------------|-----------------|---------------------|
| | At 30 June 2016 | At 31 December 2015 | At 30 June 2016 | At 31 December 2015 | At 30 June 2016 | At 31 December 2015 | At 30 June 2016 | At 31 December 2015 | At 30 June 2016 | At 31 December 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | | | | | | |
| Reportable segment assets | 297,446 | 284,091 | 127,323 | 122,903 | 112,796 | 207,783 | 4,793 | 321 | 542,358 | 615,098 |
| Additions to non-current segment assets during the period/year | 957 | 528 | - | - | 91 | 1,641 | - | - | 1,048 | 2,169 |
| Reportable segment liabilities | 89,541 | 90,825 | - | - | 7,329 | 4,591 | - | 5 | 96,870 | 95,421 |

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's reportable segment revenue; 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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

5. (LOSS)/PROFIT BEFORE TAXATION

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

(i) Finance costs

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

(ii) Staff costs

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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

(iii) Other items

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

6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-------------------|--------------------------|-----------------|
| | 2016 RMB'000 | 2015 RMB'000 |
| Current tax – PRC | 4,260 | 2,411 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

6. INCOME TAX EXPENSE (continued)

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of machinery, equipment and tools with a cost of approximately RMB1,049,000 (six months ended 30 June 2015: RMB1,267,000). The Group did not acquire items of machinery, equipment and tools during the six months ended 30 June 2016 from the acquisition of a subsidiary (six months ended 30 June 2015: RMB659,000). Items of machinery, equipment and tools with a net book value of approximately RMB37,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil), and resulting a loss on disposal of approximately RMB12,000 (six months ended 30 June 2015: Nil).

9. GOODWILL

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

9. GOODWILL (continued)

Mobile marketing business – HK

Due to deteriorating performance and suffered 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 months 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

10. 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.

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

11. AVAILABLE-FOR-SALE SECURITIES

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|--|--|--------------------------------------|
| Unlisted equity securities, at cost | 52,689 | 49,738 |
| Provision for impairment loss recognised during the period | (40,382) | – |
| Exchange adjustment | 468 | 2,951 |
| | 12,775 | 52,689 |

Investments in unlisted securities issued by private entities are held for an identified long-term strategic purpose so the Group does not intend to dispose them in the foreseeable future. The available-for-sale securities are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimate are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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 in the particular investee was made as at 30 June 2016.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

12. TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

12. TRADE AND OTHER RECEIVABLES (continued)

Notes:

- (i) As at 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:

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|-------------------------------------|--|--------------------------------------|
| Within 1 month | 58,654 | 63,016 |
| Over 1 month but less than 3 months | 21,650 | 13,633 |
| Over 3 months but less than 1 year | 2,065 | 7,212 |
| Over 1 year but less than 2 years | 2,304 | 7,594 |
| Over 2 years | 1,582 | 829 |
| | 86,255 | 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:

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|-------------------------------------|--|--------------------------------------|
| Within 1 month | 4,335 | – |
| Over 1 month but less than 3 months | – | – |
| Over 3 months but less than 1 year | 171 | 168 |
| Over 1 year but less than 2 years | – | – |
| Over 2 years | – | – |
| | 4,506 | 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

13. TRADING SECURITIES

| | At 30 June 2016 | At 31 December 2015 |
|---|--------------------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Listed equity securities at fair value – Hong Kong | 122,308 | 118,031 |

Details of the equity investee of which the carrying amount exceeds 10% of the total assets of the Group at 30 June 2016 were as follows:

| Name of Company | Place of incorporation | Class of shares held | Proportion of the nominal value issued ordinary shares held by the Group | Net realised and unrealised loss |
|---|-----------------------------------|---------------------------------|---|---|
| | | | | <i>RMB'000</i> |
| China Innovative Finance Group Limited ("CIF") | Bermuda | Ordinary shares | 0.8% | 3,662 |

The fair value of all equity securities is based on their current market prices in an active market.

CIF is principally engaged in investment in listed securities, money lending and financial leasing.

The Board acknowledges that the performance of the trading securities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the trading securities, the Board will closely monitor the performance of respective trading securities and the changes of market condition. The Group will adjust its portfolio of investments as the Board considers appropriate.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

14. TRADE AND OTHER PAYABLES

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|---|--|--------------------------------------|
| Trade creditors | 37,786 | 49,351 |
| Non-trade payables and accrued expenses | 44,436 | 50,488 |
| Other taxes payable | - | 323 |
| | 82,222 | 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:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

15. PROMISSORY NOTES

During the year ended 31 December 2015, in connection with the acquisition of Gravitas Group, the Company issued an interest-bearing promissory notes (“Promissory Notes 1”) at 6% interest rate per annum with 3 years maturity from the date of issue, with a principal of HK\$160,000,000 to Gloss Rise Limited.

During the six months ended 30 June 2016, in connection with the acquisition of an associate, the Company issued an interest-bearing promissory notes (“Promissory Notes 2”) at 6% interest rate per annum with 3 years maturity from the date of issue, with a principal of HK\$50,000,000 to Wisdom Master Investments Limited.

The Promissory Notes 1 and Promissory Notes 2 were fair value at initial recognition with an effective interest rate of 7.5% and 6.1% per annum respectively. The Promissory Notes 1 had been fully repaid during the period ended 30 June 2016.

Interest charged on Promissory Notes 1 and Promissory Notes 2 is calculated using the effective interest method by applying interest rate of 7.5% per annum and 6.1% per annum to the liability.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

16. BORROWINGS

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|----------------------|--|--------------------------------------|
| Borrowings: | | |
| Unsecured borrowings | 1,430 | 1,398 |
| Secured bank loan | 24,611 | 4,919 |
| | 26,041 | 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17. SHARE CAPITAL

| | Notes | 30 June 2016 | | 31 December 2015 | |
|---|-------|------------------|-----------------------|------------------|-----------------------|
| | | Number of shares | Amount HK\$ | Number of shares | Amount HK\$ |
| Authorised: | | | | | |
| 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 |
| Issued and fully paid: | | | | | |
| 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 |
| | | | RMB equivalent | | RMB equivalent |
| | | | 35,116,834 | | 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 Gravitas Group Limited from Mr. Chu Wai Kit. Upon completion of the acquisition on 14 May 2015, the consideration shares were issued and recorded at HK\$0.285 per share with reference to the market price as of that date, the issue of shares has resulted an increase in the share capital and share premium by approximately HK\$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK\$84,615,000 (equivalent to approximately RMB66,432,000) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17. SHARE CAPITAL (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

18. COMMITMENTS

(i) Capital commitments

The Group has capital commitments in respect of capital injection of subsidiaries in the PRC amounting to approximately RMB7,650,000 as at 30 June 2016 (31 December 2015: Nil).

(ii) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of properties at the end of the reporting period were payable as follows:

| | At 30 June 2016 RMB'000 | At 31 December 2015 RMB'000 |
|-----------------------------|--|--------------------------------------|
| Less than one year | 3,462 | 3,746 |
| Between one and two years | 1,202 | 807 |
| Between two and three years | 530 | 717 |
| | 5,194 | 5,270 |

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

19. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the unaudited consolidated financial statements, details of transactions between the Group and its related parties are disclosed below:

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2016 RMB'000 | 2015 RMB'000 |
| Non-controlling interests | | |
| – Provision for software maintenance and other services | 155 | 394 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

19. RELATED PARTY TRANSACTIONS (continued)

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

| | Six months ended 30 June | |
|------------------------------|---------------------------------|---------|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Short-term employee benefits | 1,119 | 6,442 |
| Post-employment benefits | 23 | 23 |
| | 1,142 | 6,465 |

20. EVENTS AFTER INTERIM REPORTING PERIOD

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.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

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 recognised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 recognised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 utilised for settling part of the consideration for the acquisition of 28% of issued share capital of All Treasure International Industrial 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 utilised 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 Industrial Limited (the “Target Company”) at the consideration of HK\$71,706,600, which has been satisfied as to (i) HK\$21,706,600 in cash; and (ii) HK\$50,000,000 by the issue of the promissory notes to the Vendor. Completion of the acquisition has taken place simultaneously upon signing of the acquisition agreement. Upon completion, the Target Company has become an associated company of the Company. The Target Company and its subsidiaries are principally engaged in (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC.

Save as disclosed above, the Group has not made any material acquisition or disposal of subsidiaries or associated companies for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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 realised and unrealised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2016, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which were notified to the Company and the Stock Exchange 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").

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Aggregate long position in the shares and underlying shares of the Company

| Name | Nature of interest | Number of shares of the Company held | Approximate percentage of shareholding in the Company |
|--|------------------------------------|--------------------------------------|---|
| Affluent Start Holdings Investment Limited ("Affluent Start") (Note) | Beneficial owner | 60,435,500 | 14.46% |
| King Pak Fu ("Mr. King") (Note) | Interest of controlled corporation | 60,435,500 | 14.46% |

Note: The entire issued share capital of Affluent Start is beneficially owned by Mr. King. Therefore, Mr. King is deemed to be interested in these 60,435,500 ordinary shares of the Company ("Share(s)") held by Affluent Start.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(b) Aggregate short position in the shares and underlying shares of the Company

As at 30 June 2016, 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 2016.

SHARE OPTION SCHEME

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

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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES (continued)

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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES (continued)

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.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

Below are the changes in Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

- (1) Mr. Liu Kam Lung, an independent non-executive Director, resigned as the chief financial officer of Symphony Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1223), on 1 June 2016.
- (2) Mr. Yau Yan Ming Raymond, an independent non-executive Director, resigned as an independent non-executive director of Tack Fiori International Group Limited, a company listed on the Stock Exchange (stock code: 928), with effect from 22 August 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