



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

2013

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Jia Bowei (*Chairman*)

Lam Kwan Sing (*Chief Executive Officer*)

King Pak Fu

Independent Non-executive Directors

Lam Ting Lok

Hu Gin Ing

Zhang Xiaoman

COMPANY SECRETARY

Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

AUTHORISED REPRESENTATIVES

Lam Kwan Sing

Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

AUDIT COMMITTEE

Lam Ting Lok (*Committee Chairman*)

Hu Gin Ing

Zhang Xiaoman

REMUNERATION COMMITTEE

Lam Ting Lok (*Committee Chairman*)

Lam Kwan Sing

Hu Gin Ing

Zhang Xiaoman

NOMINATION COMMITTEE

Lam Ting Lok (*Committee Chairman*)

Lam Kwan Sing

Hu Gin Ing

Zhang Xiaoman

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
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Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5, 9/F
Great Eagle Centre
23 Harbour Road
Wanchai, 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

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

(Expressed in Renminbi)

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 2013 together with comparative figures for the corresponding period in 2012. The unaudited interim financial report has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

		Six months ended 30 June	
	Notes	2013 RMB'000	2012 RMB'000
Turnover	4	68,898	59,838
Cost of sales		(52,245)	(50,128)
Gross profit		16,653	9,710
Other revenue		63	10
Other net losses	5	(891)	(22,749)
Distribution expenses		(6,463)	(5,769)
General and administrative expenses		(9,153)	(11,345)
Other operating expenses		(13)	(12)
Profit/(loss) from operations		196	(30,155)
Finance costs	6(i)	(251)	(63)
Loss before taxation	6	(55)	(30,218)
Income tax expense	7	(1,815)	(1,119)
Loss for the period		(1,870)	(31,337)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2013

(Expressed in Renminbi)

		Six months ended 30 June	
	Notes	2013 RMB'000	2012 RMB'000
Attributable to:			
Equity shareholders of the Company		(4,960)	(31,337)
Non-controlling interests		3,090	–
Loss for the period		(1,870)	(31,337)
Loss per share (RMB)	8		
Basic		(0.003)	(0.029)
Diluted		(0.003)	(0.029)

The notes on pages 10 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 2013

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Loss for the period	(1,870)	(31,337)
Other comprehensive income for the period (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	143	319
Total comprehensive expense for the period	(1,727)	(31,018)
Attributable to:		
Equity shareholders of the Company	(4,815)	(31,018)
Non-controlling interests	3,088	—
Total comprehensive expense for the period	(1,727)	(31,018)

The notes on pages 10 to 34 form part of this unaudited interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

(Expressed in Renminbi)

		At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment	9	1,822	2,478
Intangible assets	10	5,129	5,962
Goodwill		19,541	19,541
Deferred tax assets		346	412
		26,838	28,393
Current assets			
Inventories	11	1,270	1,569
Trade and other receivables	12	104,548	77,337
Trading securities	13	20,748	25,903
Cash and cash equivalents	14	37,616	17,267
		164,182	122,076
Current liabilities			
Trade and other payables	15	5,335	5,164
Borrowings	16	8,446	16,000
Income tax payables		4,348	4,687
		18,129	25,851
Net current assets		146,053	96,225
Total assets less current liabilities		172,891	124,618

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

(Expressed in Renminbi)

		At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
	Notes		
NET ASSETS		172,891	124,618
Capital and reserves			
Share capital	17	13,109	13,109
Reserves		98,254	111,509
Total equity attributable to equity shareholders of the Company		111,363	124,618
Non-controlling interests		61,528	–
TOTAL EQUITY		172,891	124,618

The unaudited interim financial report on pages 3 to 34 were approved and authorised for issue by the Board of Directors on 27 August 2013.

Jia Bowei
Director

Lam Kwan Sing
Director

The notes on pages 10 to 34 form part of this unaudited interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Share premium RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000			
Balance at 1 January 2012	7,740	8,890	–	1,741	76	11,338	29,785	–		29,785
Changes in equity for the six months ended 30 June 2012:										
Loss for the period	–	–	–	–	–	(31,337)	(31,337)	–		(31,337)
Other comprehensive income	–	–	–	–	319	–	319	–		319
Total comprehensive income/(expense)	–	–	–	–	319	(31,337)	(31,018)	–		(31,018)
Shares issued under placing	5,369	123,496	–	–	–	–	128,865	–		128,865
Share issue expenses	–	(4,354)	–	–	–	–	(4,354)	–		(4,354)
Balance at 30 June 2012	13,109	128,032	–	1,741	395	(19,999)	123,278	–		123,278
Balance at 1 January 2013	13,109	128,032	–	1,741	321	(18,585)	124,618	–		124,618
Changes in equity for the six months ended 30 June 2013:										
(Loss)/profit for the period	–	–	–	–	–	(4,960)	(4,960)	3,090		(1,870)
Other comprehensive income/(expense)	–	–	–	–	145	–	145	(2)		143
Total comprehensive income/(expense)	–	–	–	–	145	(4,960)	(4,815)	3,088		(1,727)
Change in non-controlling interests arising from decrease of the Group's shareholding in subsidiaries	–	–	(8,440)	–	–	–	(8,440)	58,440		50,000
Balance at 30 June 2013	13,109	128,032	(8,440)	1,741	466	(23,545)	111,363	61,528		172,891

The notes on pages 10 to 34 form part of this unaudited interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

(Expressed in Renminbi)

	<i>Notes</i>	Six months ended 30 June	
		2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Cash used in operations		(20,028)	(16,563)
PRC income taxes paid		(2,088)	(2,109)
Net cash used in operating activities		(22,116)	(18,672)
Net cash generated from/(used in) investing activities		126	(32,330)
Net cash generated from financing activities		42,242	56,556
Net increase in cash and cash equivalents		20,252	5,554
Cash and cash equivalents at 1 January	14	17,267	10,338
Effect of foreign exchanges rates changes		97	306
Cash and cash equivalents at 30 June	14	37,616	16,198

The notes on pages 10 to 34 form part of this unaudited interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

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”). It was authorised for issue on 27 August 2013.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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”).

The financial information relating to the financial year ended 31 December 2012 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 2012 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 25 March 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- IAS 19 (Revised 2011), Employee benefits
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 18. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and liabilities in note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are mainly organised by business lines 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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(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 deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit/(loss) is "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 directors' and auditors' remuneration and other head office or corporate administration costs.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

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 period is set out below.

	Software business		Trading and investment business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue from external customers	72,613	66,191	503	–	73,116	66,191
Investment income and net loss	–	–	(4,218)	(6,353)	(4,218)	(6,353)
Reportable segment revenue	72,613	66,191	(3,715)	(6,353)	68,898	59,838
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	7,849	4,886	(3,742)	(6,481)	4,107	(1,595)

	Software business		Trading and investment business		Total	
	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Reportable segment assets	167,719	121,694	20,884	25,920	188,603	147,614
Additions to non-current segment assets during the period/year	71	897	–	–	71	897
Reportable segment liabilities	15,380	25,264	–	–	15,380	25,264

The Group's operations are mostly located in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	68,898	59,838
Loss before taxation		
Reportable segment profit/(loss) before taxation	4,107	(1,595)
Unallocated head office and corporate expenses	(4,162)	(28,623)
Total	(55)	(30,218)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. SEGMENT REPORTING (continued)

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Assets		
Reportable segment assets	188,602	147,614
Deferred tax assets	346	412
Unallocated head office and corporate assets	2,072	2,443
Total	191,020	150,469
Liabilities		
Reportable segment liabilities	15,380	25,264
Unallocated head office and corporate liabilities	2,749	587
Total	18,129	25,851

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

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		At 30 June	At 31 December
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
PRC	72,211	66,191	26,386	27,870
Hong Kong	(3,313)	(6,353)	106	111
	68,898	59,838	26,492	27,981

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

4. TURNOVER

The principal activities of the Group are the provision of integrated business software solutions 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	
	2013 RMB'000	2012 RMB'000
Software maintenance and other services	68,267	64,475
Sales of software products and others	4,346	1,716
Net realised and unrealised losses on trading securities	(3,806)	(6,353)
Dividend income from listed investments	91	–
	68,898	59,838

5. OTHER NET LOSSES

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Net loss on derivative financial instruments	–	4,263
Loss on early redemption of promissory note	–	18,234
Net exchange loss	891	252
	891	22,749

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(i) Finance costs

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest expenses on borrowings wholly repayable within five years	251	63

(ii) Staff costs

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Salaries, wages and other benefits	7,549	5,072
Contributions to defined contribution retirement schemes	715	651
	8,264	5,723

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

6. LOSS BEFORE TAXATION (continued)

(iii) Other items

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Cost of inventories	1,561	1,140
Depreciation	545	562
Amortisation of intangible assets	833	1,553
Operating lease charges in respect of properties	999	1,760
Net loss on disposal of property, plant and equipment	47	—

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Current tax – PRC	1,749	1,119
Deferred tax	66	—
	1,815	1,119

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

7. INCOME TAX EXPENSE (continued)

Pursuant to the rules and regulations of the Cayman Islands, Bermuda and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands, Bermuda 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 2013 and 2012 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 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2013 is based on the loss attributable to equity shareholders of the Company of RMB4,960,000 (six months ended 30 June 2012: RMB31,337,000) and the weighted average of 1,467,389,600 ordinary shares (six months ended 30 June 2012: 1,088,378,314 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2013 <i>Number of shares</i>	2012 <i>Number of shares</i>
Ordinary shares issued at 1 January	1,467,389,600	806,158,000
Effect of placing of new shares	–	282,220,314
Weighted average number of shares at 30 June	1,467,389,600	1,088,378,314

There were no dilutive potential ordinary shares in issue as at 30 June 2013 (30 June 2012: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery, equipment and tools RMB'000	Motor vehicles and other fixed assets RMB'000	Total RMB'000
Cost			
At 1 January 2012	1,155	3,507	4,662
Additions	196	701	897
Disposals	(6)	(248)	(254)
At 31 December 2012	1,345	3,960	5,305
Additions	71	–	71
Disposals	(389)	(698)	(1,087)
Exchange adjustments	(3)	–	(3)
At 30 June 2013	1,024	3,262	4,286
Accumulated depreciation			
At 1 January 2012	(605)	(773)	(1,378)
Charge for the year	(567)	(1,123)	(1,690)
Written back on disposals	6	235	241
At 31 December 2012	(1,166)	(1,661)	(2,827)
Charge for the year	(144)	(401)	(545)
Written back on disposals	370	536	906
Exchange adjustments	2	–	2
At 30 June 2013	(938)	(1,526)	(2,464)
Net book value			
At 30 June 2013	86	1,736	1,822
At 31 December 2012	179	2,299	2,478

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

10. 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>
Cost					
At 1 January 2012,					
31 December 2012 and					
30 June 2013	7,262	3,015	2,815	665	13,757
Accumulated amortisation					
At 1 January 2012	(2,373)	(2,436)	–	(599)	(5,408)
Amortisation during the year	(1,742)	(579)	–	(66)	(2,387)
At 31 December 2012	(4,115)	(3,015)	–	(665)	(7,795)
Amortisation during the period	(833)	–	–	–	(833)
At 30 June 2013	(4,948)	(3,015)	–	(665)	(8,628)
Net book value					
At 30 June 2013	2,314	–	2,815	–	5,129
At 31 December 2012	3,147	–	2,815	–	5,962

The amortisation charge for the period is included in “cost of sales” in the unaudited consolidated statement of profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

11. INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<i>Inventories comprise:</i>		
Standard software	3,833	4,132
Low value consumables	6	6
	3,839	4,138
Less: Stock provision	(2,569)	(2,569)
	1,270	1,569

12. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables	(i)	45,523	35,703
Prepayments made to suppliers	(ii)	55,158	38,157
Deposits and other receivables		3,867	3,477
		104,548	77,337

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

12. TRADE AND OTHER RECEIVABLES (continued)

Notes:

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

Invoice date	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 month	28,660	16,113
Over 1 month but less than 3 months	7,315	15,776
Over 3 months but less than 1 year	8,830	1,975
Over 1 year but less than 2 years	642	1,761
Over 2 years	76	78
	45,523	35,703

- (ii) These prepayments are unsecured, interest free and will be used to offset against future purchases from suppliers.
- (iii) There was no provision for impairment losses in respect of trade receivables from third party customers as at 30 June 2013 (as at 31 December 2012: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

13. TRADING SECURITIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Listed equity securities at fair value – in Hong Kong	20,748	25,903

14. CASH AND CASH EQUIVALENTS

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash in hand	154	146
Cash at bank	37,462	17,121
Cash and cash equivalents	37,616	17,267

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

15. TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade creditors	2,138	2,634
Non-trade payables and accrued expenses	2,370	1,504
Other taxes payable	827	1,026
	5,335	5,164

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, based on the invoice date, is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	2,065	–
Due after 1 month but within 3 months	57	2,184
Due after 3 months but within 6 months	–	5
Due after 6 months but within 1 year	5	445
Due after 1 year but within 2 years	11	–
	2,138	2,634

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

16. BORROWINGS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Borrowings:		
Unsecured borrowings	3,446	1,000
Secured bank loan	5,000	15,000
	8,446	16,000

At 30 June 2013, the bank loan bears interest at 7.2% (as at 31 December 2012: 7.4%) per annum and secured by corporate guarantee of a PRC subsidiary. The unsecured borrowings bear interest at 3-5% (as at 31 December 2012: 5%) per annum. All borrowings are repayable within one year or on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

17. SHARE CAPITAL

		30 June 2013		31 December 2012	
	Notes	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:					
Ordinary shares of HK\$0.01 each		3,000,000,000	30,000,000	1,000,000,000	10,000,000
Increase in authorised share capital on 10 April 2012	(i)	–	–	2,000,000,000	20,000,000
Ordinary shares at 30 June/31 December		3,000,000,000	30,000,000	3,000,000,000	30,000,000
Issued and fully paid:					
At 1 January		1,467,389,600	14,673,896	806,158,000	8,061,580
Shares issued under placing	(ii)	–	–	661,231,600	6,612,316
At 30 June/31 December		1,467,389,600	14,673,896	1,467,389,600	14,673,896
			RMB equivalent		RMB equivalent
			13,109,046		13,109,046

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 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 the specific mandate. The Placing has resulted in an increase in the share capital and share premium account by HK\$6,612,316 (equivalent to approximately RMB5,369,000) and HK\$152,083,268 (equivalent to approximately RMB123,496,000) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

	Fair value at 30 June 2013 RMB'000	Fair value measurements as at 30 June 2013 using		
		Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Trading securities	20,748	20,748	–	–

	Fair value at 31 December 2012 RMB'000	Fair value measurements as at 31 December 2012 using		
		Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Trading securities	25,903	25,903	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(continued)

(a) Financial assets and liabilities measured at fair value (continued)

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movement during the period in the balances of Level 3 fair value measurements is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Assets		
Derivative financial instruments:		
Put option		
At 1 January	–	4,263
Net loss recognised in consolidated statement of profit or loss	–	(4,263)
At 30 June/31 December	–	–
Total gains or losses for the period/year included in profit or loss for assets held at the end of the reporting period	–	4,263

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(continued)

(a) Financial assets and liabilities measured at fair value (continued)

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Liabilities		
Promissory note		
At 1 January	–	59,658
Payment	–	(77,892)
Net loss recognised in consolidated statement of profit or loss	–	18,234
At 30 June/31 December	–	–
Total gains or losses for the period/year included in profit or loss for assets held at the end of the reporting period	–	18,234

(b) Fair values of financial assets and liabilities carried at other than fair value

The Directors consider that the carrying amounts of financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013.

19. COMMITMENTS

(i) Capital commitments

The Group has no significant capital commitments as at 30 June 2013 and 31 December 2012.

(ii) Lease commitments

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follow:

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i>
Less than one year	1,979	1,528
Between one and two years	1,277	312
	3,256	1,840

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB68,898,000 (six months ended 30 June 2012: RMB59,838,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB68,267,000 (six months ended 30 June 2012: RMB64,475,000); (ii) sale of software products and others amounted to approximately RMB4,346,000 (six months ended 30 June 2012: RMB1,716,000); (iii) fair value losses of approximately RMB3,806,000 on held for trading investments (six months ended 30 June 2012: RMB6,353,000); and (vi) dividend income of approximately RMB91,000 (six months ended 30 June 2012: Nil).

Gross Profit

For the six months ended 30 June 2013, the Group recorded a gross profit of approximately RMB16,653,000 (six months ended 30 June 2012: RMB9,710,000).

Other Net Loss

For the six months ended 30 June 2013, other net loss was approximately RMB891,000 (six months ended 30 June 2012: RMB22,749,000), which was mainly attributable to (i) no net loss on derivative financial instruments (six months ended 30 June 2012: RMB4,263,000); (ii) no loss on reversal of change in fair value of the Promissory Note in prior years due to the early redemption (six months ended 30 June 2012: RMB18,234,000); and (iii) net exchange loss of approximately RMB891,000 (six months ended 30 June 2012: RMB252,000).

Finance Costs

For the six months ended 30 June 2013, finance cost of interest expenses was approximately RMB251,000 (six months ended 30 June 2012: RMB63,000).



MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Period

For the six months ended 30 June 2013, the Group recorded a loss for the period of approximately RMB1,870,000 (six months ended 30 June 2012: RMB31,337,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2013, the Group maintained cash and cash equivalents amounted to approximately RMB37,616,000 (31 December 2012: RMB17,267,000). As at 30 June 2013, the Group's current ratio was 906% (31 December 2012: 472%); and the Group's net gearing ratio at 30 June 2013 was zero as the Group had no net borrowing or debt (31 December 2012: 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 2013, the Group had no pledge of assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings (31 December 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The Group adopts a prudent treasury policy. The current ratio (calculated as current assets divided by current liabilities multiplied by 100%) as at 30 June 2013 was 906% (31 December 2012: 472%) and the quick ratio (calculated as balance of current assets less inventories, divided by current liabilities multiplied by 100%) as at 30 June 2013 was 899% (31 December 2012: 466%). 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.

Significant Investments

There were no significant investments held by the Group as at 30 June 2013.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

- (1) On 5 November 2012, Easy Talent Limited (“Easy Talent”), an indirect wholly-owned subsidiary of the Company before the transaction, and Smart Masterly Limited (“Smart Masterly”), a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of United Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 2642), entered into a subscription agreement (the “Subscription Agreement”) pursuant to which, Smart Masterly agreed to subscribe and Easy Talent agreed to issue and allot four subscription shares at a total consideration of RMB50,000,000 (equivalent to approximately HK\$61,900,000) (the “Deemed Disposal”). The transaction contemplated under the Subscription Agreement constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).



MANAGEMENT DISCUSSION AND ANALYSIS

The Deemed Disposal was approved by the shareholders of the Company at the extraordinary general meeting held on 3 December 2012 and the completion of the Deemed Disposal took place on 22 January 2013. Since then, Smart Masterly has become the legal and beneficial owner of 40% of the issued share capital in Easy Talent. Easy Talent has remained as an indirect subsidiary of the Company and the Company's interest in Easy Talent has been diluted to 60%.

- (2) On 16 May 2013, Cosmic Honour Limited, a direct wholly-owned subsidiary of the Company, and Safedom Technologies Holding Group Limited entered into a non-legally binding memorandum of understanding (the "MOU") (as supplemented by a supplemental letter entered into on 22 August 2013), in relation to the proposed acquisition (the "Proposed Acquisition") of the entire issued share capital in Techno Wing Limited (the "Target Company").

The Target Group is principally engaged in the manufacturing, sales and marketing of virus-proof condoms and investment in the patents in the PRC.

The parties intended to enter into a formal agreement for the Proposed Acquisition subject to the terms and conditions as set out in the MOU.

The Proposed Acquisition, if materialise, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate.

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 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 June 2013, the Group employed 103 full time employees (30 June 2012: 90). 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 2013, there was no significant contingent liability (30 June 2012: Nil).

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

BUSINESS REVIEW

In 2013, China's economic growth slowed in the April to June period coupled with the GDP growth rate dropped to 7.5% from 7.7% in the January to March period. However, the Group recorded a slight increase in turnover of software business segment of 10% from RMB66,191,000 for the six months ended 30 June 2012 to RMB72,613,000 for the six months ended 30 June 2013. The gross profit margin increased from 24% to 28%, which was mainly attributable to the increase in software business segment profits before tax from RMB4,886,000 to RMB7,849,000. The Group provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC and Hong Kong.

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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, the interests or short positions of the Directors and chief executives 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 (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and 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 ("Model Code") as set out in Appendix 10 to 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 of the Company held	Approximate percentage of the Company's issued ordinary 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 2013, so far as is known to any Director or chief executives 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:

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

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

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

As at 30 June 2013, the Company had not been notified of any short positions being held by any substantial shareholder 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 2013.



OTHER INFORMATION

SHARE OPTION SCHEME

The Company has approved the adoption of the 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.

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 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 standard set out in the Model Code during the six months ended 30 June 2013.

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 2013.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES (continued)

During the six months ended 30 June 2013, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations as explained as follows:–

- under code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Xiaoman, an independent non-executive Director, did not attend the annual general meeting of the Company held on 20 May 2013 due to the engagement in his own official business.
- under code provision D.1.4 of the 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 and Jia Bowei. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. In addition, the Directors have followed the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the six months ended 30 June 2013.



OTHER INFORMATION

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 2013 have been reviewed by the Audit Committee.

By Order of the Board
Enterprise Development Holdings Limited
Jia Bowei
Chairman

Hong Kong, 27 August 2013