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ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

企展控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1808)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 together with comparative figures for the corresponding period in 2017. The unaudited interim results 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 2018

(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Continuing operations			
Revenue	4	83,480	126,460
Cost of sales		(70,576)	(128,631)
Gross profit/(loss)		12,904	(2,171)
Other revenue		1,495	910
Distribution expenses		(12,049)	(9,291)
General and administrative expenses		(13,525)	(19,454)
Other operating expenses		(4)	(1)
Loss from operations		(11,179)	(30,007)
Share of results of an associate		–	(17,713)
Finance costs	5(i)a	(898)	(886)
Loss before taxation	5	(12,077)	(48,606)
Income tax expense	6	(33)	(2,333)
Loss for the period from continuing operations		(12,110)	(50,939)
Discontinued operations			
Loss for the period from discontinued operations		–	(11,919)
Loss for the period		(12,110)	(62,858)
Attributable to:			
Equity shareholders of the Company			
Continuing operations		(8,321)	(49,756)
Discontinued operations		–	(11,919)
		(8,321)	(61,675)
Non-controlling interests			
Continuing operations		(3,789)	(1,183)
		(3,789)	(1,183)
Loss for the period		(12,110)	(62,858)
Basic and diluted losses per share (RMB)			
Continuing operations	7	(0.02)	(0.10)
Discontinued operations		–	(0.02)

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

For the six months ended 30 June 2018

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss for the period	(12,110)	(62,858)
Other comprehensive (expense)/income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	236	4,697
Reclassification adjustment for exchange reserve released upon disposal of a subsidiary	(1,034)	–
Share of exchange difference of an associate	–	82
	<u>(798)</u>	<u>4,779</u>
Total comprehensive expense for the period	<u>(12,908)</u>	<u>(58,079)</u>
Attributable to:		
Equity shareholders of the Company	(9,135)	(56,896)
Non-controlling interests	(3,773)	(1,183)
	<u>(12,908)</u>	<u>(58,079)</u>
Total comprehensive expense for the period	<u>(12,908)</u>	<u>(58,079)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(Expressed in Renminbi)

		At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		969	560
Intangible assets		17,226	18,107
Goodwill		19,541	19,541
Interests in an associate		—	—
Deferred tax assets		346	346
		<u>38,082</u>	<u>38,554</u>
Current assets			
Inventories		1,327	1,355
Trade and other receivables	8	189,348	194,777
Pledged bank deposits		637	277
Cash and cash equivalents		108,366	122,971
		<u>299,678</u>	<u>319,380</u>
Total assets		<u>337,760</u>	<u>357,934</u>
Current liabilities			
Trade and other payables	9	26,080	35,249
Borrowings	10	30,217	27,742
Current taxation		4,913	5,363
		<u>61,210</u>	<u>68,354</u>
Net current assets		<u>238,468</u>	<u>251,026</u>
Total assets less current liabilities		<u>276,550</u>	<u>289,580</u>
Net assets		<u><u>276,550</u></u>	<u><u>289,580</u></u>

		At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	<i>Notes</i>		
Capital and reserves			
Share capital	<i>11</i>	44,711	44,711
Reserves		<u>127,102</u>	<u>136,359</u>
Total equity attributable to equity shareholders of the Company		171,813	181,070
Non-controlling interests		<u>104,737</u>	<u>108,510</u>
Total equity		<u>276,550</u>	<u>289,580</u>

NOTES TO THE UNAUDITED INTERIM RESULTS

(Expressed in Renminbi)

1. BASIS OF PREPARATION

This unaudited interim results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and were authorised for issue on 29 August 2018.

The unaudited interim results have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This unaudited interim results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements.

The unaudited interim results set out in this announcement do not constitute the Group’s financial statements for the six months ended 30 June 2018 but are extracted from those financial statements. Statutory financial statements for the year ended 31 December 2017 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 27 March 2018.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards (“IFRSs”) that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented three major reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

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

Discontinued operations:

- 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 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 loss is "adjusted loss before taxation". Adjusted loss before taxation is the Group's losses before 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 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, provision for impairment loss on goodwill 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 2017: 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.

	Continuing operations								Discontinued operations			
	Software business		Trading and investment business		Others		Sub-total		Mobile marketing business		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		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	82,865	155,883	-	-	615	229	83,480	156,112	-	4,881	83,480	160,993
Investment income and net losses	-	-	-	(29,652)	-	-	-	(29,652)	-	-	-	(29,652)
Reportable segment revenue	82,865	155,883	-	(29,652)	615	229	83,480	126,460	-	4,881	83,480	131,341
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	(9,078)	7,186	-	(29,658)	134	49	(8,944)	(22,423)	-	(11,919)	(8,944)	(34,342)
Interest income from bank deposits	54	146	-	-	-	-	54	146	-	-	54	146
Interest expenses	717	642	-	-	-	-	717	642	-	7	717	649
Depreciation and amortisation	1,231	895	-	-	18	-	1,249	895	-	152	1,249	1,047
Provision for impairment loss on goodwill	-	-	-	-	-	-	-	-	-	8,825	-	8,825

	Continuing operations								Discontinued operations			
	Software business		Trading and investment business		Others		Sub-total		Mobile marketing business		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	305,511	320,959	-	-	14,744	14,693	320,255	335,652	-	-	320,255	335,652
Additions to non-current segment assets during the period/year	824	9,580	-	-	-	95	824	9,675	-	41	824	9,716
Reportable segment liabilities	47,760	53,349	-	-	263	673	48,023	54,022	-	-	48,023	54,022

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	83,480	131,341
Elimination on discontinued operations	—	(4,881)
	<u> </u>	<u> </u>
Consolidated revenue from continuing operations	83,480	126,460
	<u> </u>	<u> </u>
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(8,944)	(22,423)
Share of results of an associate	—	(17,713)
Unallocated head office and corporate expenses	(3,133)	(8,470)
	<u> </u>	<u> </u>
Consolidated loss before taxation from continuing operations	(12,077)	(48,606)
	<u> </u>	<u> </u>
	At 30 June	At 31 December
	2018	2017
	RMB'000	RMB'000
Assets		
Reportable segment assets	320,255	335,652
Deferred tax assets	346	346
Unallocated head office and corporate assets	17,159	21,936
	<u> </u>	<u> </u>
Consolidated total assets	337,760	357,934
	<u> </u>	<u> </u>
Liabilities		
Reportable segment liabilities	48,023	54,022
Unallocated head office and corporate liabilities	13,187	14,332
	<u> </u>	<u> </u>
Consolidated total liabilities	61,210	68,354
	<u> </u>	<u> </u>

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group’s revenue from continuing operations from external customers; and (ii) the Group’s property, plant and equipment, intangible assets, interests in an associate 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 intangible assets, interests in an associate and goodwill.

	Revenue/(loss) from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2018	2017	2018	2017
	RMB’000	RMB’000	RMB’000	RMB’000
PRC	82,865	155,883	37,619	38,059
Hong Kong	615	(29,423)	117	149
	83,480	126,460	37,736	38,208

4. REVENUE

The principal activities of the Group are the provision of integrated business software solutions and trading of listed securities. The Group identified its mobile marketing business as discontinued operations during the year ended 31 December 2017.

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

	Six months ended 30 June	
	2018	2017
	RMB’000	RMB’000
Continuing operations		
Software maintenance and other services	77,816	143,158
Sales of software products and others	5,049	12,725
Net realised and unrealised losses on trading securities	–	(29,652)
Others	615	229
	83,480	126,460
Discontinued operations		
Mobile marketing services	–	4,881
	83,480	131,341

5. LOSS BEFORE TAXATION

(i) Loss before taxation from continuing operations is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on borrowings wholly repayable within five years	<u>898</u>	<u>886</u>

(b) Staff costs

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	15,657	13,508
Contributions to defined contribution retirement schemes	<u>703</u>	<u>1,033</u>
	<u>16,360</u>	<u>14,541</u>

(c) Other items

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	28	1,004
Amortisation of intangible assets	881	343
Depreciation of property, plant and equipment	380	596
Net loss on disposal of property, plant and equipment	4	143
Operating lease charges in respect of properties	1,689	2,556
Loss allowance on trade receivables	<u>184</u>	<u>67</u>

(ii) Loss before taxation from discontinued operations is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest expenses on borrowings wholly repayable within five years	–	6
Bank overdraft interest	–	1
	<u>–</u>	<u>1</u>
	<u>–</u>	<u>7</u>

(b) Staff costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	–	4,457
Contributions to defined contribution retirement schemes	–	180
	<u>–</u>	<u>180</u>
	<u>–</u>	<u>4,637</u>

(c) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Depreciation of property, plant and equipment	–	152
Net loss on disposal of property, plant and equipment	–	873
Operating lease charges in respect of properties	–	440
Provision for impairment loss on goodwill	–	8,825
	<u>–</u>	<u>8,825</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax-PRC	<u>33</u>	<u>2,333</u>

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

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 the six months ended 30 June 2018 and 30 June 2017 as it was awarded high-technology status by the tax authority.

The provision for Hong Kong Profits Tax for the six months ended 30 June 2018 and 30 June 2017 is calculated at 16.5% of the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits or has tax losses brought forward to set off assessable profits from Hong Kong for the six months ended 30 June 2018 and 30 June 2017.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2018 and 30 June 2017.

7. BASIC AND DILUTED LOSSES PER SHARE

The calculation of basic and diluted losses as per share from continuing operations is based on the loss attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB12,110,000 (six months ended 30 June 2017: RMB50,939,000) and the weighted average of 526,508,982 (six months ended 30 June 2017: 505,652,628) ordinary shares in issue during the period.

The calculation of basic and diluted losses per share from discontinued operations is based on the loss attributable to ordinary equity shareholders of the Company from discontinued operations of approximately RMB11,919,000 and the weighted average of 505,652,628 ordinary shares in issue during the six months ended 30 June 2017.

There were no dilutive potential ordinary shares in issue as at 30 June 2018 (30 June 2017: Nil).

8. TRADE AND OTHER RECEIVABLES

		At 30 June 2018	At 31 December 2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		67,757	78,726
Less: loss allowance		(445)	(139)
		<hr/>	<hr/>
	<i>(i)</i>	67,312	78,587
		<hr/>	<hr/>
Loan receivables		12,821	14,511
Less: loss allowance		–	(1,859)
		<hr/>	<hr/>
	<i>(ii)&(iii)</i>	12,821	12,652
		<hr/>	<hr/>
Prepayment made to suppliers	<i>(iv)</i>	82,012	81,550
Deposits and other receivables		27,203	21,988
		<hr/>	<hr/>
		109,215	103,538
		<hr/>	<hr/>
		189,348	194,777
		<hr/> <hr/>	<hr/> <hr/>

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

Notes:

- (i) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	51,948	64,952
Over 1 month but less than 3 months	5,959	4,922
Over 3 months but less than 1 year	4,699	4,821
Over 1 year but less than 2 years	3,527	2,274
Over 2 years	1,179	1,618
	<u>67,312</u>	<u>78,587</u>

- (ii) The maturity profile of the loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Repayable		
Within 1 month	4,217	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	8,604	12,652
	<u>12,821</u>	<u>12,652</u>

- (iii) As of the end of the reporting period, the ageing analysis of loan receivables (which are included in trade and other receivables), based on loan drawn down date and net of loss allowance, is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	8,604	8,490
Over 1 year but less than 2 years	4,217	4,162
	<u>12,821</u>	<u>12,652</u>

(iv) These prepayments are unsecured, interest free and will be used to offset against future purchases from suppliers.

9. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade creditors	8,887	10,246
Non-trade payables and accrued expenses	16,017	20,390
Other taxes payable	1,176	4,613
	<u>26,080</u>	<u>35,249</u>

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

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Due within 1 month or on demand	7,592	8,907
Due after 1 month but within 3 months	1,125	–
Due after 3 months but within 6 months	130	–
Due after 6 months but within 1 year	40	1,339
	<u>8,887</u>	<u>10,246</u>

10. BORROWINGS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Borrowings:		
Unsecured borrowings	4,217	4,162
Secured bank loans	<u>26,000</u>	<u>23,580</u>
	<u>30,217</u>	<u>27,742</u>

As at 30 June 2018, the unsecured borrowing bears interest at 9% (as at 31 December 2017: 9%) per annum. The bank loans bear interest at 4.785% to 5.82% (as at 31 December 2017: 4.785% to 5.82%) per annum and secured by corporate guarantee of a PRC subsidiary and certain trade receivables not less than RMB8,000,000. All borrowings are repayable within one year or on demand.

11. SHARE CAPITAL

	Note	At 30 June 2018		At 31 December 2017	
		Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:					
Ordinary shares of HK\$0.1 each		<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:					
At 1 January		526,508,982	52,650,898	501,508,982	50,150,898
Issue of placing shares	(i)	<u>–</u>	<u>–</u>	<u>25,000,000</u>	<u>2,500,000</u>
At 30 June/31 December		<u>526,508,982</u>	<u>52,650,898</u>	<u>526,508,982</u>	<u>52,650,898</u>
			<i>RMB equivalent</i>		<i>RMB equivalent</i>
			<u>44,711,310</u>		<u>44,711,310</u>

(i) Issue of placing shares

Pursuant to a placing agreement dated on 22 May 2017, a total of 25,000,000 ordinary shares of HK\$0.1 each were issued at the placing price of HK\$1.23 per placing share. The placing has resulted in an increase in the share capital and share premium account, net of shares issue expenses, by approximately HK\$2,500,000 (equivalent to approximately RMB2,183,000) and approximately HK\$27,515,000 (equivalent to approximately RMB24,029,000) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded a revenue from continuing operations of approximately RMB83,480,000 (six months ended 30 June 2017: RMB126,460,000), of which revenue from (i) software maintenance and other services amounted to approximately RMB77,816,000 (six months ended 30 June 2017: RMB143,158,000); (ii) sale of software products and others amounted to approximately RMB5,049,000 (six months ended 30 June 2017: RMB12,725,000); and (iii) net realised and unrealised losses on trading securities amounted to nil (six months ended 30 June 2017: losses of RMB29,652,000). The decrease in revenue from the software business was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers.

Gross Profit/(Loss)

For the six months ended 30 June 2018, the Group recorded a gross profit from continuing operations of approximately RMB12,904,000 (six months ended 30 June 2017: a gross loss of RMB2,171,000). The gross profit ratio for the software business of the Group during the period was approximately 15% while that of the corresponding period in 2017 was approximately 17%. The decrease in gross profit ratio was mainly due to the increase in cost of sales while contract value remained stable to maintain competitiveness of the business.

Finance Costs

For the six months ended 30 June 2018, finance costs from continuing operations were approximately RMB898,000 (six months ended 30 June 2017: RMB886,000). The increase in finance costs was due to the increase in interest expenses of borrowings.

General and Administrative Expenses

For the six months ended 30 June 2018, the general and administrative expenses from continuing operations of the Group were approximately RMB13,525,000 (six months ended 30 June 2017: RMB19,454,000). The decrease in general and administrative expenses was mainly due to the decrease in staff costs.

Impairment

For the six months ended 30 June 2018, no impairment was recognised on the Group's goodwill (six months ended 30 June 2017: approximately RMB8,825,000).

Share of results of an associate

For the six months ended 30 June 2018, the Group did not share any results of an associate (six months ended 30 June 2017: a loss of approximately RMB17,713,000) as the share of losses of an associate exceeds the interests in the associate, the Group discontinued recognising its share of further losses.

Loss for the Period

For the six months ended 30 June 2018, the Group recorded a loss from continuing operations of approximately RMB12,110,000 (six months ended 30 June 2017: RMB50,939,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2018, the Group maintained cash and cash equivalents amounting to approximately RMB108,366,000 (31 December 2017: RMB122,971,000). As at 30 June 2018, the Group's current ratio was approximately 4.90 times (31 December 2017: 4.67 times); and the Group's net gearing ratio at 30 June 2018 was not applicable (31 December 2017: not applicable), since the Group had cash in excess of interest bearing borrowings.

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 30 June 2018 and 31 December 2017, except for the bank deposits pledged to secure trade finance facilities to the Group and certain trade receivables not less than RMB8,000,000 pledged for secured bank borrowings, the Group had no pledge of other 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.

Significant Investments

The Group has not made any significant investment for the six months ended 30 June 2018.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The Group has not made any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2018.

Subsequent Event

The Group did not have any significant subsequent event after the end of the reporting period.

Employees and Remuneration Policies

As at 30 June 2018, the Group employed 134 (30 June 2017: 175) 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 2018, there was no significant contingent liability (30 June 2017: Nil).

BUSINESS REVIEW

The Group recorded a revenue from continuing operations of approximately RMB83,480,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB126,460,000), representing a decrease of approximately 34%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the six months ended 30 June 2017.

The revenue of the software business amounted to approximately RMB82,865,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB155,883,000), representing a decrease of approximately 47%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers.

OUTLOOK

For more than ten years now, the Group's software business has provided database software and engineering services to the PRC enterprise customers in terms of troubleshooting, health check, life cycle management, function upgrade and version management that the Group's software business has significant market share and strong brand in the enterprise software industry. Despite the slowdown in the Group's software business due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers, the Group will try to maintain its competitiveness through introduction of new products and services. Apart from the software business, the Group also engaged in the trading of listed securities.

The Group is exploring integration opportunities for the Group's existing IT services with financial service sector. The Group is optimistic on the growth opportunities in the financial services industry which could in turns create further income source and long-term benefit to the Group.

In May 2017, the Company entered into a share purchase agreement (as supplemented by a supplemental agreement dated 16 November 2017) to acquire Ho Fung Shares Investment Limited ("Ho Fung") which is principally engaged in the business of securities broking and is licensed by the Securities and Futures Commission (the "SFC") to carry out Type 1 (dealing in securities) regulated activity under the SFO. The Group has been actively exploring integration opportunities for the Group's existing IT services with the financial services sector includes but not limited to the provision of financing brokerage, asset management, financial leasing and investment management services.

In November 2017, the Company entered into a sale and purchase agreement with Reliable Intelligence Asia Limited (being a wholly-owned subsidiary of the Company), as purchaser, and Taiping Financial Holdings Company Limited (being a wholly-owned subsidiary of China Taiping Insurance Holdings Company Limited ("Taiping")), as vendor, to acquire 50% of the issued share capital in Taiping Securities (HK) Co Limited ("Taiping Securities") (the "Acquisition"). Taiping Securities is principally engaged in the business of securities dealing and broking and securities margin financing and is licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO.

The Acquisition will establish a strategic alliance with Taiping and provide synergies to the brokerage business through integration of skills, knowledge and expertise and expansion of client base. The Group plans to position Taiping Securities to target institutional and large-scale investors while Ho Fung will focus on individual and retail customers. Given the brand name and substantial operating history of Taiping Securities, both the Group and Ho Fung can benefit through sharing of expertise in operations and cross-companies synergies. Furthermore, the clientele and the scale of Taiping Securities' brokerage business may help to establish the Group's corporate profile and recognition in the securities industry. The Directors consider that Taiping will become an invaluable partner in its expansion and development strategy after completion of the acquisition of Taiping Securities. The Group will be able to leverage on Taiping's branding effect, vast network, financial resources and investment expertise to support its growth strategy in China. The Directors consider that the Acquisition will enable the Group to integrate its existing IT expertise with Taiping Securities' financial service in a way that the financial services sector and the existing IT sector together with the big data capabilities of the Group will be synergistic and complementary to each other and will support the Group's stable and sustainable development. If the collaboration with Taiping is a successful breakthrough for the Group, going forward, the Group may consider packaging and promoting its enhanced FinTech products to other financial institutions and/or other business corporations, to increase its presence, market share, branding in Hong Kong and broaden its source of income.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 2018.

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 2018.

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 2018, 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 was 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 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, Chairman and executive Director, 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.

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 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Hu Gin Ing (as chairlady), Mr. Liu Jian and Mr. Li Wai Kwan. 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 2018 have been reviewed by the Audit Committee.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lam Kai Tai (Chairman) and Mr. Bai Xuefei, and three independent non-executive Directors, namely Ms. Hu Gin Ing, Mr. Liu Jian and Mr. Li Wai Kwan.