ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1808

2017 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Lam Kai Tai *(Chairman)*
Li Jiang Nan
Fan Carol

Independent Non-executive Directors
Hu Gin Ing
Liu Jian
Li Wai Kwan

COMPANY SECRETARY

Chu Chun Ming

AUTHORISED REPRESENTATIVES

Lam Kai Tai
Chu Chun Ming

AUDIT COMMITTEE

Hu Gin Ing *(Committee Chairlady)*
Liu Jian
Li Wai Kwan

REMUNERATION COMMITTEE

Liu Jian *(Committee Chairman)*
Lam Kai Tai
Hu Gin Ing
Li Wai Kwan

NOMINATION COMMITTEE

Liu Jian *(Committee Chairman)*
Lam Kai Tai
Hu Gin Ing
Li Wai Kwan

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

Flat B, 11/F
Hing Lung Commercial Building
68-74 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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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") presents the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016. 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 2017

(Expressed in Renminbi)

		Six months ended 30 June	
	Notes	**2017 (Unaudited) *RMB'000***	2016 (Unaudited) *RMB'000*
Turnover	*4*	**131,341**	224,661
Cost of sales		**(131,364)**	(183,852)
Gross (loss)/profit		**(23)**	40,809
Other revenue		**921**	3,551
Distribution expenses		**(10,085)**	(10,823)
General and administrative expenses		**(23,906)**	(21,653)
Other operating expenses		**(1)**	(46)
Loss on early redemption of promissory notes		**–**	(1,262)
Provision for impairment loss on available-for-sale securities		**–**	(40,382)
Provision for impairment loss on goodwill		**(8,825)**	(86,930)
Loss from operations		**(41,919)**	(116,736)
Share of results of an associate		**(17,713)**	(1,910)
Finance costs	*5(i)*	**(893)**	(1,134)
Loss before taxation	*5*	**(60,525)**	(119,780)
Income tax expense	*6*	**(2,333)**	(4,260)
Loss for the period		**(62,858)**	(124,040)
Attributable to:			
Equity shareholders of the Company		**(61,675)**	(129,332)
Non-controlling interests		**(1,183)**	5,292
Loss for the period		**(62,858)**	(124,040)
Loss per share (RMB)	*7*		
Basic and diluted		**(0.12)**	(0.34)

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 2017

(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss for the period	**(62,858)**	(124,040)
Other comprehensive income/(expense) 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	**4,697**	(814)
Share of exchange difference of an associate	**82**	(30)
Total comprehensive expense for the period	**(58,079)**	(124,884)
Attributable to:		
Equity shareholders of the Company	**(56,896)**	(130,624)
Non-controlling interests	**(1,183)**	5,740
Total comprehensive expense for the period	**(58,079)**	(124,884)

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 2017

(Expressed in Renminbi)

	Notes	**At 30 June 2017 (Unaudited) *RMB'000***	At 31 December 2016 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	*8*	**1,024**	2,639
Intangible assets		**10,675**	9,608
Goodwill	*9*	**19,541**	28,493
Interests in an associate	*10*	**46,881**	64,512
Available-for-sale securities	*11*	**–**	–
Deferred tax assets		**381**	382
		78,502	105,634
Current assets			
Inventories		**1,466**	2,470
Trade and other receivables	*12*	**243,117**	209,735
Amount due from an associate		**11,456**	11,159
Trading securities	*13*	**11,473**	41,895
Pledged bank deposits		**2,357**	5,213
Cash and cash equivalents		**59,324**	97,120
		329,193	367,592
Total assets		**407,695**	473,226
Current liabilities			
Trade and other payables	*14*	**51,564**	84,663
Borrowings	*15*	**30,346**	30,250
Current taxation		**5,666**	6,325
		87,576	121,238
Net current assets		**241,617**	246,354
Total assets less current liabilities		**320,119**	351,988

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(Expressed in Renminbi)

	Notes	**At 30 June 2017 (Unaudited)** ***RMB'000***	At 31 December 2016 (Audited) *RMB'000*
Non-current liability			
Deferred tax liabilities		**47**	49
		47	49
Net assets		**320,072**	351,939
Capital and reserves			
Share capital	*16*	**44,711**	42,528
Reserves		**182,190**	215,057
Total equity attributable to equity shareholders of the Company		**226,901**	257,585
Non-controlling interests		**93,171**	94,354
Total equity		**320,072**	351,939

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 2017

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (Note 16)	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	Non-controlling interests RMB'000	Total equity RMB'000
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 by way of placing	10,703	70,330	-	-	-	-	81,033	-	81,033
Shares 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
Balance at 1 January 2017	**42,528**	**506,417**	**(8,440)**	**7,473**	**27,231**	**(317,624)**	**257,585**	**94,354**	**351,939**
Changes in equity for the six months ended 30 June 2017:									
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(61,675)**	**(61,675)**	**(1,183)**	**(62,858)**
Other comprehensive income	**-**	**-**	**-**	**-**	**4,779**	**-**	**4,779**	**-**	**4,779**
Total comprehensive expense	**-**	**-**	**-**	**-**	**4,779**	**(61,675)**	**(56,896)**	**(1,183)**	**(58,079)**
Shares issued by way of placing	**2,183**	**24,671**	**-**	**-**	**-**	**-**	**26,854**	**-**	**26,854**
Shares issue expenses	**-**	**(642)**	**-**	**-**	**-**	**-**	**(642)**	**-**	**(642)**
Balance at 30 June 2017	**44,711**	**530,446**	**(8,440)**	**7,473**	**32,010**	**(379,299)**	**226,901**	**93,171**	**320,072**

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 2017

(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash used in operations	**(64,689)**	(78,693)
PRC income taxes paid	**(2,992)**	(3,698)
Net cash used in operating activities	**(67,681)**	(82,391)
Net cash generated from/(used in) investing activities	**1,335**	(65,914)
Net cash generated from financing activities	**25,583**	95,716
Net decrease in cash and cash equivalents	**(40,763)**	(52,589)
Cash and cash equivalents at 1 January	**97,120**	81,803
Effect of foreign exchanges rates changes	**2,967**	1,121
Cash and cash equivalents at 30 June	**59,324**	30,335

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"). It was authorised for issue on 25 August 2017.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 2016 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 28 March 2017.

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. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to IAS 7, *Statement of cash flows: Disclosure in initiative*

– Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

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 organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has identified three major reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

- Trading and investment business: Trading securities listed on the Stock Exchange.

- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong.

3. SEGMENT REPORTING (continued)

(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.

The measure used for reporting segment loss is "adjusted loss before taxation". To arrive at adjusted loss before taxation, the Group's loss 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 before taxation, the Board is provided with segment information concerning turnover, interest income and expenses 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 turnover reported below represents turnover generated from external customers. There were no inter-segment sales in the current period (six months ended 30 June 2016: 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.

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover from external customers	**155,883**	215,824	**-**	301	**4,881**	4,780	**229**	63	**160.993**	220,968
Investment income and net losses	**-**	–	**(29,652)**	3,693	**-**	–	**-**	–	**(29,652)**	3,693
Reportable segment turnover	**155,883**	215,824	**(29,652)**	3,994	**4,881**	4,780	**229**	63	**131,341**	224,661
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**7,186**	18,602	**(29,658)**	3,983	**(11,919)**	(100,525)	**49**	(327)	**(34,342)**	(78,267)
Interest income from bank deposits	**146**	36	**-**	–	**-**	–	**-**	–	**146**	36
Interest expenses	**642**	441	**-**	–	**7**	37	**-**	–	**649**	478
Depreciation and amortisation for the period	**895**	506	**-**	–	**152**	386	**-**	4	**1,047**	896
Provision for impairment loss on goodwill	**-**	–	**-**	–	**8,825**	86,930	**-**	–	**8,825**	86,930

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 2017 RMB'000	At 31 December 2016 *RMB'000*	**At 30 June 2017 RMB'000**	At 31 December 2016 *RMB'000*	**At 30 June 2017 RMB'000**	At 31 December 2016 *RMB'000*	**At 30 June 2017 RMB'000**	At 31 December 2016 *RMB'000*	**At 30 June 2017 RMB'000**	At 31 December 2016 *RMB'000*
Reportable segment assets	**321,130**	330,609	**11,574**	41,999	**2,134**	12,808	**5,090**	4,998	**339,928**	390,414
Additions to non-current segment assets during the period/year	**1,594**	8,115	**-**	–	**11**	236	**-**	–	**1,605**	8,351
Reportable segment liabilities	**56,988**	89,962	**-**	–	**10,857**	10,565	**-**	2	**67,845**	100,529

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

	Six months ended 30 June	
	2017 ***RMB'000***	2016 *RMB'000*
Turnover		
Reportable segment turnover	**131,341**	224,661
Loss before taxation		
Reportable segment loss derived from the Group's external customers	**(34,342)**	(78,267)
Share of results of an associate	**(17,713)**	(1,910)
Unallocated head office and corporate expenses	**(8,470)**	(39,603)
Consolidated loss before taxation	**(60,525)**	(119,780)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3. SEGMENT REPORTING (continued)

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Assets		
Reportable segment assets	**339,928**	390,414
Interests in an associate	**46,881**	64,512
Deferred tax assets	**381**	382
Unallocated head office and corporate assets	**20,505**	17,918
Consolidated total assets	**407,695**	473,226
Liabilities		
Reportable segment liabilities	**67,845**	100,529
Deferred tax liabilities	**47**	49
Unallocated head office and corporate liabilities	**19,731**	20,709
Consolidated total liabilities	**87,623**	121,287

3. SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's turnover from external customers; and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interests in an associate ("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 turnover Six months ended 30 June		Specified non-current assets	
			At 30 June	At 31 December
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**155,883**	215,824	**30,887**	30,243
Hong Kong	**(24,542)**	8,837	**47,234**	75,009
	131,341	224,661	**78,121**	105,252

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 turnover recognised during the period is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Software maintenance and other services	**143,158**	202,423
Sales of software products and others	**12,725**	13,401
Net realised and unrealised (losses)/gains on trading securities	**(29,652)**	3,994
Mobile marketing services	**4,881**	4,780
Others	**229**	63
	131,341	224,661

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(i) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Bank overdraft	**1**	–
Interest expenses on borrowings wholly repayable within five years	**892**	478
Imputed interest expenses on promissory notes	**–**	656
	893	1,134

(ii) Staff costs

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**17,965**	15,705
Contributions to defined contribution retirement schemes	**1,213**	2,224
	19,178	17,929

Salaries, wages and benefits of approximately RMB2,555,000 (six months ended 30 June 2016: RMB2,760,000) has been expensed in cost of sales for the six months ended 30 June 2017.

5. LOSS BEFORE TAXATION (continued)

(iii) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cost of inventories	**10,558**	9,518
Amortisation of intangible assets	**343**	–
Depreciation of property, plant and equipment	**748**	944
Loss on disposal of property, plant and equipment	**1,016**	12
Operating lease charges in respect of properties	**2,996**	2,971
Provision for impairment loss on available-for-sales securities	**–**	40,382
Provision for impairment loss on goodwill	**8,825**	86,930
Provision for impairment loss on trade receivables	**67**	1,640

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC	**2,333**	4,260

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 Legend Maker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for 30 June 2017 and 2016 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 2017 and 2016.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2017 is based on the loss attributable to equity shareholders of the Company of approximately RMB61,675,000 (six months ended 30 June 2016: RMB129,332,000) and the weighted average of 505,652,628 ordinary shares (six months ended 30 June 2016: 376,235,204 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares in issue as at 30 June 2017 (30 June 2016: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of machinery, equipment and tools with a cost of approximately RMB293,000 (six months ended 30 June 2016: RMB1,049,000). Items of machinery, equipment and tools with a net book value of approximately RMB1,131,000 was disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB37,000), resulting in a loss on disposal of approximately RMB1,016,000 (six months ended 30 June 2016: RMB12,000).

9. GOODWILL

Impairment tests for cash-generating units ("CGU") containing goodwill

	Total *RMB'000*
Cost:	
At 31 December 2016 and 1 January 2017	227,042
Exchange adjustments	(6,027)
At 30 June 2017	221,015
Accumulated impairment loss:	
At 31 December 2016 and 1 January 2017	(198,549)
Exchange adjustments	5,900
Impairment loss	(8,825)
At 30 June 2017	(201,474)
Carrying amount:	
At 30 June 2017	**19,541**
At 31 December 2016	28,493

9. GOODWILL (continued)

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Software business – PRC	**19,541**	19,541
Mobile marketing business – HK	**–**	8,952
	19,541	28,493

Software business – PRC

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 2016: 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 22.7% (as at 31 December 2016: 23.6%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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 a further impairment on the goodwill arising from the mobile marketing business as the recoverable amount of CGU with reference to the future cashflow have been revised based on the management's expectation for the mobile marketing business development. As a result, the management determined the impairment on the goodwill with reference to the valuation report performed by an independent valuer which the amount of value-in-use to be lower than their aggregate carrying amounts.

The recoverable amount of the CGU is determined based on value-in-use calculation. 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 2016: 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 14.51% (as at 31 December 2016: 18.4%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the six months ended 30 June 2017, the impairment loss of goodwill recognised to the consolidated statement of profit or loss was approximately RMB 8,825,000 (six months ended 30 June 2016: RMB86,930,000) and as at 30 June 2017, the carrying amount was nil (as at 31 December 2016: approximately RMB8,952,000).

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 CGU.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

10. INTERESTS IN AN ASSOCIATE

Name of subsidiary	Place of Incorporation/ operation	Particulars of Issued share capital/paid up capital	Proportion of ownership Interests held by the Group	Proportion of voting rights held by the Group	Principal activities
All Treasure International Industrial Limited	Hong Kong	28 Ordinary shares	28%	28%	Investment holding

On 9 May 2016, the Group acquired 28% equity interests in All Treasure International Industrial Limited ("All Treasure") 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 (equivalent to approximately RMB18,122,000) in cash and HK$50,000,000 (equivalent to approximately RMB41,994,000) by the issue of promissory notes by the Company to the Vendor. Upon completion of the said acquisition, All Treasure has become an associate company of the Group.

All Treasure is an investment holding company and its group is principally engaged in the businesses of (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.

10. INTERESTS IN AN ASSOCIATE (continued)

	At 30 June 2017 RMB'000	At 31 December 2016 *RMB'000*
At the beginning of the period	**64,512**	–
Cost of investments, unlisted	**–**	60,116
Gain on bargain purchase	**–**	3,114
Share of post-acquisition (loss)/profit, and other comprehensive (expense)/income, net of dividends received	**(17,631)**	1,282
At 30 June/31 December	**46,881**	64,512
Amount due from an associate	**11,456**	11,159

During the six months ended 30 June 2017, the amount due from an associate represented a loan to an associate which was unsecured, bear interests at 12% (At 31 December 2016: 12%) per annum, and repayable in 180 days from the date of drawdown. The loan is neither past due nor impaired.

Summarised financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	At 30 June 2017 RMB'000	At 31 December 2016 *RMB'000*
The Group's share of results	**(17,713)**	1,333
The Group's share of other comprehensive income/(expense)	**82**	(51)
The Group's share of total comprehensive (expense)/income	**(17,631)**	1,282
Aggregate carrying amount of the Group's interests in an associate	**46,881**	64,512

11. AVAILIABLE-FOR-SALE SECURITIES

During the six months ended 30 June 2017, the impairment loss of availible-for-sale securities recognised to the consolidated statement of profit or loss was nil (six months ended 30 June 2016: RMB41,078,000) and as at 30 June 2017, the carrying amount was nil (as at 31 December 2016: Nil).

12. TRADE AND OTHER RECEIVABLES

	Notes	**At 30 June 2017** **RMB'000**	At 31 December 2016 *RMB'000*
Trade receivables		**104,268**	88,269
Less: allowance for doubtful debts		**(4,948)**	(5,025)
	(i)	**99,320**	83,244
Loan receivables		**6,461**	6,654
Less: allowance for doubtful debts		**(1,941)**	(1,999)
	(ii)	**4,520**	4,655
Prepayments made to suppliers	*(iii)*	**126,254**	116,358
Deposits and other receivables		**15,857**	8,396
Less: allowance for doubtful debts		**(2,834)**	(2,918)
		243,117	209,735

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

12. TRADE AND OTHER RECEIVABLES (continued)

Notes:

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

Invoice date	**At 30 June 2017** ***RMB'000***	At 31 December 2016 *RMB'000*
Within 1 month	**77,440**	51,954
Over 1 month but less than 3 months	**9,764**	23,525
Over 3 months but less than 1 year	**9,223**	5,514
Over 1 year but less than 2 years	**2,636**	2,049
Over 2 years	**257**	202
	99,320	83,244

(ii) 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 date and net of allowance for doubtful debt, is as follows:

Loan drawn date	**At 30 June 2017** ***RMB'000***	At 31 December 2016 *RMB'000*
Within 1 month	**–**	–
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 1 year	**174**	4,655
Over 1 year but less than 2 years	**4,346**	–
	4,520	4,655

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

(iv) During the six months ended 30 June 2017, trade receivables of the Group amounting to approximately RMB67,000 (as at 30 June 2016: RMB1,640,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of the reporting period or were due from customers with financial difficulties. Consequently as at 30 June 2017, specific allowances for doubtful debts of approximately RMB4,948,000 (as at 31 December 2016: RMB5,025,000) were recognised.

13. TRADING SECURITIES

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Listed equity securities at fair value – in Hong Kong	**11,473**	41,895

During the six months ended 30 June 2017, the realised and unrealised (loss)/gain on trading securities were nil (six months ended 30 June 2016: a gain of RMB301,000) and approximately a loss of RMB29,652,000 (six months ended 30 June 2016: a gain of RMB3,693,000) respectively.

Details of the equity investee of which the carrying amount was significant as at 30 June 2017 and 31 December 2016 were as follows:

At 30 June 2017 and 31 December 2016

Name of Company	**Place of incorporation**	**Class of shares held**	**Proportion of the nominal value of issued ordinary shares held by the Group**
Hengten Networks Group Limited	Bermuda	Ordinary shares	0.16%

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

13. TRADING SECURITIES (continued)

The Group held listed equities with a total market value of approximately RMB11,473,000 and RMB41,895,000 as at 30 June 2017 and 31 December 2016 respectively. The Investments are shown below:

As at 30 June 2017

Stock Code	Stock Name	Number of shares held by the Group as at 31 December 2016	Number of shares held by the Group as at 30 June 2017	Market Value as at 31 December 2016 *RMB'000*	Market value as at 30 June 2017 *RMB'000*	Unrealised loss for the six months ended 30 June 2017 *RMB'000*
136	HengTen Networks Group Limited	120,000,000	120,000,000	41,895	11,473	(29,652)

As at 30 June 2016

Stock Code	Stock Name	Number of shares held by the Group as at 31 December 2015	Number of shares held by the Group as at 30 June 2016	Market Value as at 31 December 2015 *RMB'000*	Market value as at 30 June 2016 *RMB'000*	Unrealised gain for the six months ended 30 June 2016 *RMB'000*
412	China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited)	160,000,000	157,000,000	111,206	107,539	(3,963)
802	RCG Holdings Limited	21,000,000	21,000,000	4,748	9,889	4,947
1130	China Environmental Resources Group Limited	10,000,000	10,000,000	2,077	4,880	2,709
				118,031	122,308	3,693

14. TRADE AND OTHER PAYABLES

	At 30 June 2017 **RMB'000**	At 31 December 2016 *RMB'000*
Trade creditors	**8,717**	38,805
Non-trade payables and accrued expenses	**42,847**	45,263
Other tax payable	**–**	595
	51,564	84,663

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 2017 **RMB'000**	At 31 December 2016 *RMB'000*
Due within 1 month or on demand	**7,534**	38,104
Due after 1 month but within 3 months	**8**	40
Due after 3 months but within 6 months	**356**	344
Due after 6 months but within 1 year	**306**	150
Due after 1 year but within 2 years	**169**	–
Due after 2 years	**344**	167
	8,717	38,805

15. BORROWINGS

	At 30 June 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Unsecured borrowings (note (a))	**4,346**	5,971
Secured bank loan (note (b))	**26,000**	24,279
	30,346	30,250

Notes:

(a) Unsecured borrowings

At 30 June 2017, the unsecured borrowing bears interest at 9% (as at 31 December 2016: 5% to 9%) per annum.

(b) Secured bank loans

At 30 June 2017, the secured bank loans were repayable as follows:

	At 30 June 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Within 1 year or on demand	**26,000**	24,279

At 30 June 2017, the secured bank loan of RMB26,000,000 (as at 31 December 2016: RMB24,000,000) of the Group bears interest from 4.35% to 5.75% (as at 31 December 2016: 4.35% to 5.76%) per annum and secured by corporate guarantee of a PRC subsidiary and certain trade receivables not less than RMB8,000,000.

At 31 December 2016, the secured bank loans of approximately RMB279,000 of the Group bear weighted average effective interest of 5.51% secured by personal guarantee provided by directors of a Hong Kong subsidiary.

All borrowings are repayable within one year or on demand.

(Expressed in Renminbi)

16. SHARE CAPITAL

	Notes	30 June 2017 Number of shares	30 June 2017 Amount HK$	31 December 2016 Number of shares	31 December 2016 Amount HK$
Authorised:					
At 1 January		**10,000,000,000**	**1,000,000,000**	100,000,000,000	1,000,000,000
Share consolidation from HK$0.01 each to HK$0.1 each	*(ii)*	**–**	**–**	(90,000,000,000)	–
Ordinary shares of HK$0.1 each		**10,000,000,000**	**1,000,000,000**	10,000,000,000	1,000,000,000
Issued and fully paid:					
At 1 January		**501,508,982**	**50,150,898**	2,902,259,827	29,022,598
Issue of placing shares	*(i)*	**25,000,000**	**2,500,000**	1,360,574,000	21,128,300
Share consolidation	*(ii)*	**–**	**–**	(3,761,324,845)	–
At 30 June 2017/31 December 2016		**526,508,982**	**52,650,898**	501,508,982	50,150,898
			RMB equivalent		*RMB equivalent*
			44,711,310		42,528,059

(i) Issue of placing shares

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$5,840,500 (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 RMB 26,350,000) respectively.

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(Expressed in Renminbi)

16. SHARE CAPITAL (continued)

(i) Issue of placing shares (continued)

Pursuant to a placing agreement dated on 30 November 2016, a total of 83,584,000 ordinary shares of HK$0.1 each were issued at the placing price of HK$0.65 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK$8,358,400 (equivalent to approximately RMB7,411,000) and HK$44,755,000 (equivalent to approximately RMB39,683,000) respectively.

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 by HK$2,500,000 (equivalent to approximately RMB2,183,000) and HK$27,515,000 (equivalent to approximately RMB24,029,000) respectively.

(ii) 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 shares 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.

17. 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 2017 (31 December 2016: RMB7,650,000).

(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 follow:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Less than one year	**3,649**	4,748
Between one and two years	**1,479**	3,018
Between two and three years	**–**	289
	5,128	8,055

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

18. 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	
	2017	2016
	RMB'000	*RMB'000*
Non-controlling interests		
– Provision for software maintenance and other service	**–**	155

(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 follow:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Short-term employee benefits	**1,029**	1,119
Post-employment benefits	**22**	23
	1,051	1,142

19. 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 2017, the Group recorded a turnover of approximately RMB131,341,000 (six months ended 30 June 2016: RMB224,661,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB143,158,000 (six months ended 30 June 2016: RMB202,423,000); (ii) sales of software products and others amounted to approximately RMB12,725,000 (six months ended 30 June 2016: RMB13,401,000); (iii) net realised and unrealised losses on trading securities amounted to approximately RMB29,652,000 (six months ended 30 June 2016: gains of RMB3,994,000); and (iv) mobile marketing services amounted to approximately RMB4,881,000 (six months ended 30 June 2016: RMB4,780,000). The decrease in turnover for the software business was due to the fact that the Group's software business is in a process of transformation from traditional software products and maintenance businesses to the higher growth Application Performance Management ("APM") and self developed software businesses.

Gross (Loss)/Profit

For the six months ended 30 June 2017, the Group recorded a gross loss of approximately RMB23,000 (six months ended 30 June 2016: gross profit of RMB40,809,000). The gross profit ratio for the software business of the Group during the period was approximately 17% while that of the corresponding period in 2016 was approximately 17%. Despite the decrease in turnover, gross profit remained stable as there was no change in the cost structure for the software business.

Finance Costs

For the six months ended 30 June 2017, finance costs was approximately RMB893,000 (six months ended 30 June 2016: RMB1,134,000). The decrease in finance costs was due to the absence of imputed interest expenses on promissory notes for the six months ended 30 June 2017 as all promissory notes have been redeemed in 2016.

General and Administrative Expenses

For the six months ended 30 June 2017, the general and administrative expenses of the Group were approximately RMB23,906,000 (six months ended 30 June 2016: RMB21,653,000).

Impairment

For the six months ended 30 June 2017, the Group recognised an impairment on its goodwill of approximately RMB8,825,000 (six months ended 30 June 2016: RMB86,930,000). Due to the deteriorating performance for the mobile marketing business, the Directors determined that there was a need for a further impairment on the goodwill arising from the acquisition of mobile marketing business.

Share of results of an associate

For the six months ended 30 June 2017, the Group recorded a loss of approximately RMB17,713,000 (six months ended 30 June 2016: RMB1,910,000) mainly due to an impairment on the goodwill arising from the acquisition of the karaoke licensing and content management business. The impairment was due to the poor performance of the karaoke licensing and content management business. Therefore, there was an increase in share of loss of an associate.

Loss for the Period

For the six months ended 30 June 2017, the Group recorded a loss for the period of approximately RMB62,858,000 (six months ended 30 June 2016: RMB124,040,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 30 June 2017, the Group maintained cash and cash equivalents amounting to approximately RMB59,324,000 (31 December 2016: RMB97,120,000). As at 30 June 2017, the Group's current ratio was approximately 3.76 times (31 December 2016: 3.03 times); and the Group's net gearing ratio at 30 June 2017 was not applicable (31 December 2016: 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 2017 and 31 December 2016, 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.

On 22 May 2017, the Company entered into a placing agreement with Get Nice Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed to place, on a best efforts basis, 25,000,000 new shares (the "Placing Shares") to not less than six independent placees at a placing price of HK$1.23 per Placing Share (the "Placing"). The Placing was completed on 1 June 2017 and an aggregate of 25,000,000 Placing Shares were successfully placed to not less than six independent placees. The net proceeds from the Placing was approximately HK$30,015,000 and as to (i) approximately HK$2,700,000 has been used for general working capital of the Group; and (ii) the remaining balance of approximately HK$27,315,000 has not yet been utilised and remains in the bank for general working capital of the Group and for funding investment opportunities as may be identified from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

The Group has not made any significant investment for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Material Acquisition and Disposal of Subsidiaries or Associated Companies

On 16 May 2017, Magic Stars Investments Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, and Mr. Chan Hing Tuen, Ms. Cheung Wai Han and Mr. Ng Chi Man (the "Sellers") entered into a share purchase agreement, pursuant to which the Purchaser has agreed to acquire and the Sellers have agreed to sell 18,000,000 issued and fully-paid ordinary shares in the capital of Ho Fung Shares Investment Limited (the "Acquisition"), a company incorporated in Hong Kong with limited liability which is licensed to carry out Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Deposits amounting to HK$4,500,000 were paid to the Sellers and the Acquisition has not been completed as at the date of this report. Details of the transaction were set out in the announcement of the Company dated 16 May 2017.

Save as disclosed above, the Group has not made any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2017.

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 2017, the Group employed 175 (30 June 2016: 184) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 June 2017, there was no significant contingent liability (30 June 2016: Nil).

BUSINESS REVIEW

The Group recorded a turnover of approximately RMB131,341,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB224,661,000), representing a decrease of approximately 42%. The decrease is mainly due to the realised and unrealised loss on investments in listed financial assets at fair value through profit and loss as compared to the gain in the corresponding period in 2016.

The turnover of the software business amounted to approximately RMB155,883,000 for the period, representing a decrease of approximately 28%. The decrease was due to the fact that the Group's software business is in a process of transformation from traditional software products and maintenance businesses to the higher growth APM business and self developed software business.

The mobile marketing business has contributed approximately RMB4,881,000 for the current period (six months ended 30 June 2016: RMB4,780,000).

OUTLOOK

Over the past ten years, the software business has provided database software and engineering services to the PRC enterprise customers in terms of version management, function upgrade, health check, life cycle management and troubleshooting which has significant market share and has a strong brand in this area. Starting from 2014, the Group continues to put efforts on bringing new technology to a large number of customers for offering services and transforming to be a big data business. Hence, the proprietary Intellectual Property Rights products including APM, Business Performance Management ("BPM") and visualisation, which are held by the Group, have been penetrating into telecommunication and banking industry for establishing a stable revenue stream. According to individual market research, the global APM/BPM market is expected to grow to USD4.98 billion by 2019 at 12.86% compound annual growth. The PRC is expected to be the major source of growth. Entering into big data bloom gives the Group more opportunity to improve customer intimacy and create great value to both customers and the Group itself.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the Company's announcements dated 6 January 2017 and 16 May 2017, the Company entered into a share purchase agreement to acquire Ho Fung Shares Investment Limited which is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong. The Group will continue to explore 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. The Group will continue to look into possible acquisitions of relevant licences and recruitments of qualified persons to carry out the corresponding financial services activities accordingly. The Group intends to utilize its extensive capital market resources to execute the merger and acquisition strategy on the financial services front. The strategy aims to establish the Group in such way that the financial services sector and the existing IT sector are synergistic and complementary to each other that will support the Group's stable and sustainable development. Though the current economic turbulence has given rise to global uncertainties and instabilities, the Group is confident that the IT plus finance integration will bring value to the Group and the shareholders as a whole.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

OTHER INFORMATION

CHANGE IN CONTROL

On 13 February 2017, the Company, Rentian Technology Holdings Limited ("Rentian") and Luck Success Development Limited (the "Offeror") (a wholly-owned subsidiary of Rentian) jointly announced that Kingston Securities Limited (the "Kingston Securities"), for and on behalf of the Offeror, made a voluntary conditional cash offer to acquire all of the ordinary share(s) of HK$0.1 each in the share capital of the Company (the "Share(s)") in the entire issued share capital of the Company (other than those Shares already owned by or to be acquired by the Offeror and parties acting in concert with it).

Immediately before 13 February 2017, the Offeror and parties acting in concert with it were interested in 83,801,500 Shares, representing approximately 16.71% of the entire issued share capital of the Company. Taking into account that the Offeror acquired a total of 64,080,000 Shares between 13 February 2017 and 27 April 2017, the Offeror and parties acting in concert with it were interested in an aggregate of 147,881,500 Shares, representing approximately 29.49% of the entire issued share capital of the Company. Taking into account the valid acceptances in respect of 120,408,292 Shares under the Offer, the Offeror holds an aggregate of 186,672,292 Shares representing approximately 35.46% of the total Shares and parties acting in concert hold an aggregate of 81,617,500 Shares, representing approximately 18.04% of the total Shares on 27 April 2017. As a consequence, the Offeror became the controlling shareholder of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2017, the interests or short positions of the Directors' or chief executives' 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"), are set out below:

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding in the associated corporation
Fan Carol	Rentian Technology Holdings Limited ("Rentian") *(Note)*	Beneficial owner	50,000,000	0.49%

Note: Rentian was deemed to be interested in 203,854,292 shares of the Company (the "Share(s)"), representing approximately 38.72% of the total issued share capital of the Company as at 30 June 2017 and therefore Rentian is a substantial shareholder of the Company. These 50,000,000 shares are derived from the interests in share options granted by Rentian pursuant to its share option scheme adopted on 6 August 2007.

OTHER INFORMATION

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

As at 30 June 2017, 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 ordinary shares of the Company held	Approximate percentage of shareholding in the Company
King Pak Fu ("Mr. King") *(Note)*	Interest of controlled corporation	268,289,792	50.96%
Affluent Start Holdings Investment Limited ("Affluent Start") *(Note)*	Beneficial owner	60,435,500	11.48%
Rentian *(Note)*	Interest of controlled corporation	203,854,292	38.72%
Luck Success Development Limited ("Luck Success") *(Note)*	Beneficial owner	186,672,292	35.45%

Note: Mr. King is deemed to be interested in (i) 186,672,292 Shares held through Luck Success, (ii) 60,435,500 Shares held through Affluent Start; (iii) 4,000,000 Shares held through Mystery Idea Limited ("Mystery Idea"); and (iv) 17,182,000 Shares held through Sino Wealthy Limited ("Sino Wealthy") pursuant to the SFO. Sino Wealthy is wholly-owned by Bramwood Holdings Limited, both of Bremwood Holdings Limited and Luck Success are wholly-owned by Gauteng Focus Limited, which is wholly-owned by Rentian, the latter is owned as to 52.21% by Mystery Idea, which in turn, together with Affluent Start, are both wholly-owned by Mr. King.

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 2017, 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 2017.

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 2017.

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 2017.

OTHER INFORMATION

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 2017.

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 2017, 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.

CORPORATE GOVERNANCE PRACTICES (continued)

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 2017.

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, and 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 2017 have been reviewed by the Audit Committee.

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

Hong Kong, 25 August 2017