
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Enterprise Development Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

LUCK SUCCESS DEVELOPMENT LIMITED

(Incorporated in the British Virgin Islands with limited liability)



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

企展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO THE VOLUNTARY CONDITIONAL CASH OFFER BY



KINGSTON SECURITIES

FOR AND ON BEHALF OF LUCK SUCCESS DEVELOPMENT LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF ENTERPRISE DEVELOPMENT HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY OR TO BE ACQUIRED BY LUCK SUCCESS DEVELOPMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror



KINGSTON CORPORATE FINANCE

Financial adviser to Enterprise Development



Independent financial adviser to the ED Independent Board Committee



Shinco Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

ED Shareholders should inform themselves of and observe any applicable legal or regulatory requirements. See "Important notices" beginning on page 4 of this Composite Document and "Overseas ED Independent Shareholders" of the Letter from Kingston Securities beginning on page 17 of this Composite Document.

A letter from Kingston Securities containing, among other things, the details of the terms and conditions of the Offer is set out on pages 12 to 27 of this Composite Document. A letter from the ED Board is set out on pages 28 to 32 of this Composite Document. A letter from the ED Independent Board Committee containing its advice to the ED Independent Shareholders is set out on pages 33 to 34 of this Composite Document. A letter from the ED Independent Financial Adviser containing its advice to the ED Independent Board Committee in respect of the Offer is set out on pages 35 to 54 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar of Enterprise Development, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Tuesday, 18 April 2017 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

24 March 2017

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

2017

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Friday, 24 March

Latest time and date for acceptance of the Offer on
the first Closing Date (*Notes 3 and 7*) 4:00 p.m. on Tuesday, 18 April

First Closing Date (*Note 3*) Tuesday, 18 April

Announcement of the results of the Offer as at the
first Closing Date, to be posted on the website
of the Stock Exchange (*Note 3*) no later than 7:00 p.m.
on Tuesday, 18 April

Latest date for posting of remittances for the
amount due in respect of valid acceptances
received under the Offer on or before 4:00 p.m.
on the first Closing Date assuming the Offer
becomes or is declared unconditional on the
first Closing Date (*Notes 4 and 7*) Thursday, 27 April

Latest time and date for the Offer remaining
open for acceptance on the final Closing Date
assuming the Offer becomes or is declared
unconditional on the first Closing Date (*Notes 5 and 7*) 4:00 p.m. on Tuesday, 2 May

Final Closing Date (*Note 5*) Tuesday, 2 May

Announcement of the results of the Offer as at
the final Closing Date, to be posted on the
website of the Stock Exchange no later than 7:00 p.m.
on Tuesday, 2 May

EXPECTED TIMETABLE

2017

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on Tuesday, 2 May 2017, being the latest date on which the Offer remains open for acceptances assuming the Offer becomes or is declared unconditional on the first Closing Date (*Notes 4 and 7*) Friday, 12 May

Latest time and date by which the Offer can become or be declared unconditional as to acceptances (*Note 6*) no later than 7:00 p.m. on Tuesday, 23 May

Notes:

- (1) The Offer is open for acceptance on and from Friday, 24 March 2017, being the date of posting of this Composite Document, and are capable of acceptance on and from that date until the close of the Offer Period.
- (2) Beneficial owners of ED Shares who hold their ED Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (3) The Offer will initially remain open for acceptances for at least 21 days following the date on which this Composite Document is posted and until 4:00 p.m. on Tuesday, 18 April 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror and Enterprise Development will jointly issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or, if the Offer is at that time unconditional as to acceptances, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those ED Shareholders who have not accepted the Offer.
- (4) Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting ED Shareholder(s) (to the address specified on the relevant ED Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the date on which the Offer become or is declared unconditional in all respects.
- (5) In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as they may jointly determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice.

EXPECTED TIMETABLE

- (6) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on Tuesday, 23 May 2017, being the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on Tuesday, 23 May 2017 unless extended with the consent of the Executive and in accordance with the Takeovers Code. In addition, unless the Offer becomes or is declared unconditional in all respects within 21 days of the Offer becoming or are being declared unconditional as to acceptances, the Offer will lapse. Therefore, the last day by which the Offer can become or be declared unconditional in all respects is Tuesday, 23 May 2017.
- (7) The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black rainstorm warning”, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and Enterprise Development will notify the ED Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to date and time contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong date and time.

IMPORTANT NOTICES

NOTICE TO HOLDERS OUTSIDE OF HONG KONG

The Offer made to the ED Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any Overseas ED Independent Shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Please refer to the section headed “Overseas ED Independent Shareholders” of the Letter from Kingston Securities in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror, Rentian and/or Enterprise Development (as the case may be) and are naturally subject to uncertainty and changes in circumstances.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions, as well as additional factors, such as general, social, economic and political conditions in the countries in which the ED Group operate or other countries which have an impact on the ED Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the ED Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the ED Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the ED Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

IMPORTANT NOTICES

All written and oral forward-looking statements attributable to the Offeror, Rentian, Enterprise Development or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date. Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, none of Rentian, Enterprise Development or the Offeror assumes any obligation to correct or update the forward-looking statements or opinions contained in this Composite Document.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Affluent Start”	Affluent Start Holdings Investment Limited, a company incorporated in the BVI with the address of its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, and the issued share capital of which is wholly-owned by Mr. King, as at the Latest Practicable Date, Affluent Start is interested in 60,435,500 ED Shares, representing approximately 12.05% of the entire issued share capital of Enterprise Development
“Affluent Start Confirmation”	the written confirmation given by Affluent Start confirming that it will not accept the Offer in respect of the ED Shares held by it
“Akron Corporate Finance”	Akron Corporate Finance Limited, a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to Enterprise Development in relation to the Offer
“Announcement Date”	Monday, 13 February 2017, being the date of the Joint Announcement
“associates”	has the meaning ascribed to it under the Takeovers Code
“Better Joint Venture”	Better Joint Venture Limited, a company incorporated in the BVI and the issued share capital of which is wholly-owned by Mr. King
“Business Day(s)”	a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“BVI”	the British Virgin Islands

DEFINITIONS

“Carnival Group”	Carnival Group International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 00996), and the issued share capital of Carnival Group is owned as to approximately 63.37% by Mr. King and the remaining 36.63% by other public shareholders independent of and not connected with Mr. King and his associates
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Tuesday, 18 April 2017, being the first closing date of the Offer or any subsequent closing date as may be announced by Rentian and the Offeror and approved by the Executive
“Composite Document”	this composite offer and response document dated 24 March 2017 in respect of the Offer jointly issued by the Offeror and Enterprise Development in accordance with the Takeovers Code, as may be revised or supplemented as appropriate
“Condition(s)”	the condition(s) of the Offer, as set out under the section headed “Conditions of the Offer” in the Letter from Kingston Securities in this Composite Document
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“ED Board”	the board of the ED Directors
“ED Director(s)”	the director(s) of Enterprise Development
“ED Group”	Enterprise Development and its subsidiaries
“ED Independent Board Committee”	the independent board committee of Enterprise Development, comprising all independent non-executive ED Directors, namely, Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian, established by the ED Board to make a recommendation to the ED Independent Shareholders in respect of the Offer

DEFINITIONS

“ED Independent Financial Adviser” or “Shinco”	Shinco Capital Limited, a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the ED Independent Board Committee in relation to the Offer
“ED Independent Shareholders”	the ED Shareholders, other than Affluent Start, Mystery Idea, Sino Wealthy, the Offeror and parties acting in concert with it
“ED Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of Enterprise Development
“ED Shareholder(s)”	holder(s) of the issued ED Share(s)
“Enterprise Development”	Enterprise Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 01808)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the announcement dated 13 February 2017 jointly made by Rentian, the Offeror and Enterprise Development in relation to, amongst other things, the Offer
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in relation to the Offer

DEFINITIONS

“Kingston Securities”	Kingston Securities Limited, a corporation licensed to carry on business in Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Last Trading Day”	Thursday, 9 February 2017, being the last trading day of ED Shares prior to the issue of the Joint Announcement
“Latest Practicable Date”	Tuesday, 21 March 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2017 or such other date as the Offeror may determine and agreed by the Executive for the satisfaction or waiver of the conditions to the closing of the Offer
“Mr. King”	Mr. King Pak Fu, the ultimate beneficial owner of Affluent Start, Mystery Idea and Better Joint Venture respectively, the substantial shareholder of Enterprise Development and the controlling shareholder of Rentian and Carnival Group respectively
“Mystery Idea”	Mystery Idea Limited, a company incorporated in the BVI with the address of its registered office at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands, and the issued share capital of which is wholly-owned by Mr. King, as at the Latest Practicable Date, Mystery Idea is interested in 4,000,000 ED Shares, representing approximately 0.80% of the entire issued share capital of Enterprise Development
“Mystery Idea Confirmation”	the written confirmation given by Mystery Idea confirming that it will not accept the Offer in respect of the ED Shares held by it

DEFINITIONS

“Offer”	the voluntary conditional cash offer by Kingston Securities on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document and the Form of Acceptance, and any subsequent revision or extension of such offer
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and which commenced on 13 February 2017, being the Announcement Date, and ending on the later of (i) the date when the Offer closed for acceptances; and (ii) the date when the Offer lapses
“Offer Price”	the price at which the Offer is made, being HK\$1.00 per Offer Share
“Offer Share(s)”	any and all of the issued ED Share(s), other than those ED Shares already owned by or to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Luck Success Development Limited, a company incorporated in the BVI with the address of its registered office at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands, a wholly-owned subsidiary of Rentian, as at the Latest Practicable Date, the Offeror is interested in 55,198,000 ED Shares, representing approximately 11.01% of the entire issued share capital of Enterprise Development
“Overseas ED Independent Shareholder(s)”	ED Independent Shareholder(s) whose address(es) as shown on the register of members of Enterprise Development is/(are) outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Warning Announcement”	announcement dated 23 January 2017 published by Enterprise Development

DEFINITIONS

“Registrar”	Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, the Hong Kong branch share registrar of Enterprise Development
“Relevant Period”	the period from 13 August 2016, being the date falling six months before the Announcement Date, up to and including the Latest Practicable Date
“Rentian”	Rentian Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00885)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sino Wealthy”	Sino Wealthy Limited, a company incorporated in the BVI with the address of its registered office at Coastal Building, Wickham’s Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands, a wholly-owned subsidiary of Rentian, as at the Latest Practicable Date, Sino Wealthy is interested in 17,182,000 ED Shares, representing approximately 3.42% of the entire issued share capital of Enterprise Development
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purposes of illustration only, amounts denominated in RMB in this Composite Document have been translated into HK\$ at the rate of RMB1.00 = HK\$1.12. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

LETTER FROM KINGSTON SECURITIES



KINGSTON SECURITIES

24 March 2017

To the ED Independent Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
LUCK SUCCESS DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
TO BE ACQUIRED BY
LUCK SUCCESS DEVELOPMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1 INTRODUCTION

Reference is made to the Joint Announcement dated 13 February 2017 whereby Rentian, the Offeror and Enterprise Development jointly announced that Kingston Securities will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the Offer Shares.

This letter sets out, amongst other things, details of the terms of the Offer, the reasons for and benefits of the Offer, the intention of the Offeror regarding the ED Group and information on the Offeror. Further details of the terms of the Offer are set out in the section headed “Further terms and procedures of acceptance of the Offer” in Appendix I to the Composite Document of which this letter forms part, and in the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The ED Independent Shareholders are strongly advised to consider carefully the information contained in the Letter from the ED Board on pages 28 to 32, the Letter from the ED Independent Board Committee on pages 33 to 34 and the Letter from the ED Independent Financial Adviser on pages 35 to 54, the accompanying Form of Acceptance and the appendices which form part of the Composite Document.

LETTER FROM KINGSTON SECURITIES

2 THE OFFER

2.1 Principal terms of the Offer

The Offer is being made by Kingston Securities on behalf of the Offeror in compliance with the Takeovers Code on the basis set out below.

For each Offer Share HK\$1.00 in cash

The ED Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by Enterprise Development to the ED Shareholders who are qualified for such dividends or distributions.

The Offer is extended to all ED Independent Shareholders.

2.2 Comparison of value

The Offer Price of HK\$1.00 per Offer Share represents:

- (i) a premium of approximately 6.38% over the closing price of HK\$0.94 per ED Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.26% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.95 per ED Share;
- (iii) a premium of approximately 4.71% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.955 per ED Share;
- (iv) a premium of approximately 20.48% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.83 per ED Share;
- (v) a discount of approximately 6.54% to the unaudited consolidated net asset value per ED Share as at 30 June 2016 of approximately HK\$1.07 (which was calculated by dividing the sum of the unaudited consolidated net asset value of

LETTER FROM KINGSTON SECURITIES

the ED Group as at 30 June 2016 (being the date to which the latest unaudited financial statements of Enterprise Development were made up) of approximately RMB477,098,000 (equivalent to approximately HK\$534,349,760) by 501,508,982 ED Shares in issue as at the Latest Practicable Date); and

- (vi) a discount of approximately 0.99% to the closing price of HK\$1.01 per ED Share as quoted on the Stock Exchange on the Latest Practicable Date.

2.3 Highest and lowest ED Share prices

During the six-month period immediately prior to and including the Last Trading Day, and up to the Latest Practicable Date, the highest closing price per ED Share as quoted on the Stock Exchange was HK\$1.13 on 20 February 2017 and the lowest closing price per ED Share as quoted on the Stock Exchange was HK\$0.265 on 22 August 2016.

2.4 Value of the Offer

As at the Latest Practicable Date, there are 501,508,982 ED Shares in issue, and the Offeror and parties acting in concert with it are, in aggregate, interested in 136,815,500 ED Shares, representing approximately 27.28% of the entire issued share capital of Enterprise Development, which comprises (i) 55,198,000 ED Shares beneficially owned by the Offeror, (ii) 17,182,000 ED Shares beneficially owned by Sino Wealthy, (iii) 60,435,500 ED Shares beneficially owned by Affluent Start, and (iv) 4,000,000 ED Shares beneficially owned by Mystery Idea.

There are no outstanding warrants, options, derivatives or securities convertible into ED Shares and Enterprise Development has not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into ED Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of Enterprise Development and on the basis of the Offer Price at HK\$1.00 per Offer Share, the entire issued share capital of Enterprise Development would be valued at HK\$501,508,982. The maximum financial commitment of the Offeror for the Offer would be HK\$364,693,482, being the difference between the entire issued share capital of Enterprise Development less 136,815,500 ED Shares, representing approximately 27.28% of the entire issued share capital of Enterprise Development, already owned by the Offeror and parties acting in concert with it as at the Latest Practicable Date together with the seller's ad valorem stamp duty at a rate of 0.1% of the total consideration payable by the Offeror upon the acceptance of the Offer Share.

LETTER FROM KINGSTON SECURITIES

2.5 Confirmation of financial resources

The Offeror intends to finance the consideration payable under the Offer by borrowings from Kingston Securities.

Kingston Corporate Finance, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptance of the Offer.

2.6 Settlement of consideration

Settlement of the consideration payable by the Offeror in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the Offer becomes or is declared unconditional in all respects and (ii) the date of receipt of a duly completed and signed acceptance in respect of the Offer.

No fraction of a cent will be payable and the amount of cash consideration payable to a ED Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

3 CONDITIONS OF THE OFFER

The Offer is conditional upon the satisfaction or waiver of the following Conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of ED Shares which, together with ED Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it together holding not less than 50% of the voting rights of Enterprise Development;
- (b) the ED Shares remaining listed and traded on the Stock Exchange up to the Closing Date save for any temporary suspension(s) of trading in the ED Shares as a result of the Offer and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the ED Shares on the Stock Exchange is or is likely to be withdrawn;
- (c) the passing by the shareholders of the Rentian of a resolution to approve the Offer at the extraordinary general meeting of Rentian to be convened and held on Friday, 13 April 2017, in accordance with the Listing Rules;

LETTER FROM KINGSTON SECURITIES

- (d) no event occurring or having occurred which is an event of default or other event giving any lender to any member of the ED Group a right to accelerate the repayment of any obligations prior to their stated maturity date arising from any financing documentation to which any member of the ED Group is a party or by which it is bound and no lender to any member of the ED Group indicating on or prior to the date to be stated in the offer document regarding the Offer as the first Closing Date of the Offer (or any subsequent closing date as may be announced by the Offeror and approved by the Executive in accordance with the Takeovers Code) that it will exercise such rights to accelerate repayment or claim an event of default; and
- (e) since the date of the last audited consolidated financial statements of Enterprise Development, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of Enterprise Development or any other member of the ED Group.

The Offeror reserves the right to waive, in whole or in part, Condition (b). For the avoidance of doubt, Conditions (a), (c), (d) and (e) cannot be waived. It is the intention of the Offeror that the above conditions should be fulfilled or waived (as the case may be) on or before the Long Stop Date.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and Enterprise Development should not invoke Conditions (d) and (e) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Conditions are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes or is declared unconditional in all respects. The ED Independent Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

LETTER FROM KINGSTON SECURITIES

WARNING: ED Shareholders and potential investors of Enterprise Development should be aware that the Offer is subject to the satisfaction and/or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders, holders of options and securities and potential investors of Enterprise Development should therefore exercise caution when dealing in the securities of Enterprise Development. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank manager, solicitor, professional accountants or other professional adviser.

4 PUBLIC FLOAT

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued ED Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the ED Shares or there are insufficient ED Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the ED Shares.

5 OVERSEAS ED INDEPENDENT SHAREHOLDERS

The Offeror intends to make the Offer available to all ED Independent Shareholders, including those who are not resident in Hong Kong. The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such ED Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the individual ED Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

According to the register of members of Enterprise Development as at the Latest Practicable Date, there was no ED Shareholder with a registered address outside Hong Kong.

In the event that the receipt of the Composite Document by Overseas ED Independent Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas ED Independent Shareholders. The Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

LETTER FROM KINGSTON SECURITIES

Any acceptance by any ED Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such ED Shareholder to the Offeror that the local laws and requirements have been complied with. All such ED Independent Shareholders should consult their professional advisers if in doubt.

6 TAXATION AND INDEPENDENT ADVICE

As stated in the Joint Announcement, the ED Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror, Rentian, Enterprise Development, Kingston Corporate Finance, Kingston Securities or Shinco, nor any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

7 FURTHER TERMS OF THE OFFER

7.1 Acceptance of the Offer

Acceptance of the Offer by any person will constitute a representation and warranty by such person or persons to the Offeror, Rentian, Enterprise Development, Kingston Corporate Finance and Kingston Securities that the Offer Shares sold by such person or persons to the Offeror are free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and any other third party rights of any nature and together with all rights attached to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

7.2 Hong Kong stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable to the relevant ED Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting ED Independent Shareholders in connection with the acceptance of the Offer and the transfer of the Offer Shares.

LETTER FROM KINGSTON SECURITIES

7.3 Close of the Offer

The Offer is subject to the Conditions. If Conditions (a) and/or (c) are not satisfied on or before the Closing Date, the Offer will lapse. If any other Conditions is not satisfied on or before the Closing Date, the Offer may lapse. The Offeror will issue an announcement stating whether the Offer has been revised or extended, have expired or have become or been declared unconditional (and, in such case, whether as to acceptances or in all respects), by 7:00 p.m. on the Closing Date in accordance with the Takeovers Code. The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or waived, as applicable), the ED Independent Shareholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Further terms of the Offer, including, amongst others, the procedures for acceptance and settlement, the acceptance period and taxation matters are set out in “Further terms and procedures of acceptance of the Offer” in Appendix I to the Composite Document and the accompanying Form of Acceptance.

8 SHAREHOLDING STRUCTURE OF ENTERPRISE DEVELOPMENT AND THE OFFER

As at the Latest Practicable Date, the authorised share capital of Enterprise Development was HK\$1,000,000,000.00 divided into 10,000,000,000 ED Shares, and the issued share capital of Enterprise Development was HK\$50,150,898.20 divided into 501,508,982 ED Shares.

LETTER FROM KINGSTON SECURITIES

The table below sets out the shareholding structure of Enterprise Development (based on the information received by Enterprise Development and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) as at the Latest Practicable Date:

Name	As at the Latest Practicable Date Number of ED Shares Approx. %	
The Offeror and parties acting in concert with it		
The Offeror	55,198,000	11.01
Sino Wealthy	17,182,000	3.42
Affluent Start	60,435,500	12.05
Mystery Idea	4,000,000	0.80
Sub-total	136,815,500	27.28
Other public ED Shareholders	364,693,482	72.72
Total	501,508,982	100.00

There are no outstanding convertible securities, warrants, options or derivatives in respect of the ED Shares or other relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) which have been entered into by the Offeror and/or parties acting in concert with it as at the Latest Practicable Date. Save as disclosed in the paragraph headed “Dealings in securities of Enterprise Development” in this Letter from Kingston Securities, the Offeror and/or parties acting in concert with it have not dealt in any ED Shares, options, derivatives, warrants or other securities convertible into ED Shares during the Relevant Period.

As at the Latest Practicable Date, Enterprise Development does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into ED Shares, has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into ED Shares and has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

8.1 Interests of the Offeror and parties acting concert with it in ED Shares

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are, in aggregate, interested in 136,815,500 ED Shares, representing approximately 27.28% of the entire issued share capital of Enterprise Development, which comprises (i) 55,198,000 ED Shares beneficially owned by the Offeror, (ii) 17,182,000 ED Shares beneficially owned by Sino Wealthy, (iii) 60,435,500 ED Shares beneficially owned by Affluent Start, and (iv) 4,000,000 ED Shares beneficially owned by Mystery Idea.

LETTER FROM KINGSTON SECURITIES

On 13 February 2017, each of Affluent Start and Mystery Idea has executed the Affluent Start Confirmation and Mystery Idea Confirmation respectively confirming that they will not accept the Offer in respect of the ED Shares held by them.

Save for the Affluent Start Confirmation and the Mystery Idea Confirmation, none of the Offeror and/or parties acting in concert with it has received any irrevocable commitment to accept the Offer or any irrevocable undertaking from any ED Shareholder not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any ED Shares held by he/she/it/them.

Save as disclosed in the paragraph headed “Dealings in securities of Enterprise Development” in this Letter from Kingston Securities, none of the Offeror and parties acting in concert with it has dealt in the ED Shares, options, derivatives, warrants or other securities convertible into ED Shares during the Relevant Period.

8.2 Other arrangements

The Offeror confirms that, as at the Latest Practicable Date:

- (a) save for (i) the Offeror is beneficially interested in 55,198,000 ED Shares, (ii) Sino Wealthy is beneficially interested in 17,182,000 ED Shares, (iii) Affluent Start is beneficially interested in 60,435,500 ED Shares, and (iv) Mystery Idea is beneficially interested in 4,000,000 ED Shares, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them owns or has control or direction over any voting rights or rights over the ED Shares, options, derivatives, warrants or other securities convertible into ED Shares;
- (b) none of the Offeror and/or parties acting in concert with it has received any irrevocable commitment to accept the Offer;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or Enterprise Development and which might be material to the Offer;
- (d) there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer save for the Conditions set out in this Composite Document;
- (e) none of the Offeror and/or parties acting in concert with it has entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in Enterprise Development; and

LETTER FROM KINGSTON SECURITIES

- (f) none of the Offeror and/or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Enterprise Development.

9 DEALINGS IN SECURITIES OF ENTERPRISE DEVELOPMENT

During the Relevant Period, the Offeror and parties acting in concert with it had dealt for value in ED Shares, the particulars of which are as follows:

Date	Name	Purchase/ Sale	Number of ED Shares	Price per ED Share (HK\$)	Approx. %
20 December 2016	Mystery Idea	Purchase	4,000,000	0.66	0.80
12 January 2017	Sino Wealthy	Purchase	194,000	0.77	0.04
			80,000	0.78	0.02
13 January 2017	Sino Wealthy	Purchase	400,000	0.84	0.08
18 January 2017	Sino Wealthy	Purchase	7,534,000	0.83	1.50
			652,000	0.84	0.13
			672,000	0.85	0.13
19 January 2017	Sino Wealthy	Purchase	500,000	0.81	0.10
			680,000	0.83	0.14
			390,000	0.84	0.08
20 January 2017	Sino Wealthy	Purchase	300,000	0.86	0.06
			90,000	0.87	0.02
			780,000	0.89	0.16
26 January 2017	Sino Wealthy	Purchase	2,900,000	0.98	0.58
2 February 2017	Sino Wealthy	Purchase	32,000	0.93	0.01
			198,000	0.94	0.04
			160,000	0.96	0.03
			10,000	0.97	0.00

LETTER FROM KINGSTON SECURITIES

Date	Name	Purchase/ Sale	Number of ED Shares	Price per ED Share (HK\$)	Approx. %
3 February 2017	Sino Wealthy	Purchase	50,000	0.92	0.01
			50,000	0.93	0.01
			224,000	0.94	0.04
			72,000	0.96	0.01
			194,000	0.97	0.04
			234,000	0.98	0.05
6 February 2017	Sino Wealthy	Purchase	252,000	0.94	0.05
			210,000	0.95	0.04
7 February 2017	Sino Wealthy	Purchase	74,000	0.94	0.01
8 February 2017	Sino Wealthy	Purchase	250,000	0.97	0.05
9 February 2017	The Offeror	Purchase	104,000	0.94	0.02
			1,680,000	0.95	0.33
			200,000	0.96	0.04
			100,000	0.97	0.02
			100,000	0.98	0.02
14 February 2017	The Offeror	Purchase	566,000	0.96	0.11
			550,000	0.97	0.11
			1,112,000	0.98	0.22
			1,408,000	0.99	0.28
			1,578,000	1.00	0.31
15 February 2017	The Offeror	Purchase	1,928,000	1.00	0.38
16 February 2017	The Offeror	Purchase	2,452,000	1.00	0.49
17 February 2017	The Offeror	Purchase	200,000	1.00	0.04
23 February 2017	The Offeror	Purchase	2,840,000	1.00	0.57
24 February 2017	The Offeror	Purchase	2,624,000	1.00	0.52

LETTER FROM KINGSTON SECURITIES

Date	Name	Purchase/ Sale	Number of ED Shares	Price per ED Share (HK\$)	Approx. %
1 March 2017	The Offeror	Purchase	2,126,000	1.00	0.42
3 March 2017	The Offeror	Purchase	4,590,000	1.00	0.92
6 March 2017	The Offeror	Purchase	5,200,000	1.00	1.04
7 March 2017	The Offeror	Purchase	8,706,000	1.00	1.74
8 March 2017	The Offeror	Purchase	886,000	1.00	0.18
9 March 2017	The Offeror	Purchase	8,350,000	1.00	1.66
10 March 2017	The Offeror	Purchase	3,838,000	1.00	0.77
13 March 2017	The Offeror	Purchase	400,000	1.00	0.08
15 March 2017	The Offeror	Purchase	766,000	1.00	0.15
16 March 2017	The Offeror	Purchase	944,000	1.00	0.19
20 March 2017	The Offeror	Purchase	1,632,000	1.00	0.33
21 March 2017	The Offeror	Purchase	318,000	1.00	0.06

Save as disclosed above, during the Relevant Period, none of the Offeror and parties acting in concert with it had dealt for value in any ED Shares or convertible securities, warrants, options or derivatives in respect of ED Shares.

10 INFORMATION ON THE ED GROUP

Enterprise Development is an investment holding company. The ED Group is principally engaged in providing integrated business software solutions, trading of listed securities and mobile marketing.

Details of the information of the ED Group are set out in the “Letter from the ED Board” to this Composite Document. Financial and general information of the ED Group is set out in Appendices II and III to this Composite Document.

LETTER FROM KINGSTON SECURITIES

11 INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of Rentian whose issued shares are listed on the main board of the Stock Exchange. Rentian is an investment holding company, and through its subsidiaries and associated company, is principally engaged in (i) the provision of integrated smart internet-of-things solutions to enterprise customers; (ii) Human-machine Interactive Devices business; (iii) securities investment; and (iv) money lending business.

The director of the Offeror

As at the Latest Practicable Date, Mr. Choi Chi Fai is the sole director of the Offeror.

12 INTENTION OF THE OFFEROR REGARDING THE ED GROUP

The Offeror intends to continue the existing businesses of the ED Group. As at the Latest Practicable Date, the Offeror has no plans to inject any assets or businesses into the ED Group or to procure the ED Group to acquire or dispose of any assets.

Immediately after the close of the Offer, the Offeror will conduct a review of the financial position and operations of the ED Group in order to formulate a long-term strategy for the ED Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. As at the Latest Practicable Date, the Offeror has not identified such investments or business opportunities.

Subject to the result of the Offeror's review of Enterprise Development, the Offeror has no intention to terminate the employment of any employees of the ED Group or to make significant changes to any employment (except for the proposed change of the ED Board composition as detailed in the section headed "Proposed change of composition of the Board" below) or to dispose of or re-allocate the ED Group's assets.

12.1 Proposed change of composition of the ED Board

The ED Board comprises three executive ED Directors, namely Mr. Lam Kai Tai (Chairman), Mr. Wong Ho Sing and Mr. Li Jiang Nan, and three independent non-executive ED Directors, namely Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian.

The Offeror may nominate directors who will have the relevant knowledge and experience in the industry that Enterprise Development is now carrying on the business to the ED Board for appointment after the close of the Offer. As at the Latest Practicable Date, the Offeror had not decided on the future composition of the ED Board.

Any changes to the composition of the ED Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

LETTER FROM KINGSTON SECURITIES

The Offeror was informed by the ED Board who has made enquiry with the ED Directors, that Mr. Wong Ho Sing and Mr. Liu Kam Lung who intend to tender their resignation with effect from the final close of the Offer, while Mr. Lam Kai Tai, Mr. Li Jiang Nan, Ms. Hu Gin Ing and Mr. Liu Jian have no intention to resign as the ED Directors unless the Offeror requests to do so. The Offeror has no intention to require Mr. Lam Kai Tai, Mr. Li Jiang Nan, Ms. Hu Gin Ing and Mr. Liu Jian to resign as the ED Directors. As such, the Offeror is confident that management and operation of Enterprise Development will not be affected following the close of the Offer and the appointment of new ED Director by the Offeror.

12.2 Maintaining the listing status of Enterprise Development

The Offeror has no intention to privatise the ED Group and intend to maintain the listing of the ED Shares on the Stock Exchange. The remaining ED Directors and the sole director of the Offeror has jointly and severally undertaken to the Stock Exchange that in the event that after the close of the Offer, the public float of Enterprise Development falls below 25%, they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible, to ensure that sufficient public float exists for the ED Shares. The sole director of the Offeror will also procure the new ED directors to be appointed to the ED Board to undertake the same upon their appointments.

The Stock Exchange has stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to Enterprise Development, being 25% of the issued ED Shares, are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the ED Shares; or
- (ii) there are insufficient ED Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the ED Shares.

The Offeror intends maintain the listing status of Enterprise Development on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the ED Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the ED Shares after the close of the Offer.

In the event that less than 25% of the issued ED Shares are held by the public at the closing of the Offer, the Offeror will place down the ED Shares held by it so as to restore the minimum public float requirement of Enterprise Development.

LETTER FROM KINGSTON SECURITIES

13 COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it under the provisions of the laws of the Cayman Islands to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

14 GENERAL

To ensure equality of treatment of all ED Independent Shareholders, those ED Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

All documents and cheques for payment to the ED Independent Shareholders will be sent to them by ordinary post at their own risk to their addresses as they appear in the register of members of Enterprise Development or, in the case of joint ED Independent Shareholders, to the ED Independent Shareholder whose name appears first in the register of members of Enterprise Development, as applicable. None of the Offeror, Rentian, Enterprise Development, Kingston Corporate Finance, Kingston Securities nor any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

15 ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the ED Board, the Letter from the ED Independent Board Committee, the Letter from ED Independent Financial Adviser, the accompanying Form of Acceptance and the additional information set out in the appendices which form part of the Composite Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

LETTER FROM THE ED BOARD



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
企展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

Executive ED Directors:

Mr. Lam Kai Tai (*Chairman*)
Mr. Wong Ho Sing
Mr. Li Jiang Nan

Independent non-executive ED Directors:

Ms. Hu Gin Ing
Mr. Liu Kam Lung
Mr. Liu Jian

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

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

24 March 2017

To the ED Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
ENTERPRISE DEVELOPMENT
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement pursuant to which the Offeror, Rentian and Enterprise Development jointly announced that Kingston Securities will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the issued shares of Enterprise Development (other than those ED Shares already owned by or to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM THE ED BOARD

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the ED Group, the Offeror and the Offer; (ii) a letter from Kingston Securities containing, among other things, details of the Offer; (iii) a letter from the ED Independent Board Committee containing its recommendation and advice to the ED Independent Shareholders; and (iv) a letter from ED Independent Financial Adviser containing its advice to the ED Independent Board Committee in relation to the Offer.

2. ED INDEPENDENT BOARD COMMITTEE

The ED Independent Board Committee, comprising all independent non-executive ED Directors, namely, Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian, has been formed to advise the ED Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

In addition, Shinco, with the approval of the ED Independent Board Committee, has been appointed as the ED Independent Financial Adviser, to advise the ED Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

3. THE OFFER

The following information about the Offer is based on the “Letter from Kingston Securities” contained in this Composite Document. Please refer to the “Letter from Kingston Securities” contained in this Composite Document for full details of the Offer.

Principal terms of the Offer

For each Offer Share HK\$1.00 in cash

The ED Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by Enterprise Development to the ED Shareholders who are qualified for such dividends or distributions.

LETTER FROM THE ED BOARD

4. AVAILABILITY OF THE OFFER

Your attention is drawn to the sections headed “5 Overseas ED Independent Shareholders” in the “Letter from Kingston Securities” in this Composite Document.

5. CONDITION OF THE OFFER

Your attention is drawn to the section headed “3 Conditions of the Offer” in the “Letter from Kingston Securities” in this Composite Document.

6. MAINTAINING THE LISTING STATUS OF ENTERPRISE DEVELOPMENT

Your attention is drawn to the section headed “12.2 Maintaining the listing status of Enterprise Development” in the “Letter from Kingston Securities” in this Composite Document.

7. INFORMATION AND INTENTION OF THE OFFEROR

Your attention is drawn to the sections headed “11 Information on the Offeror” and “12 Intention of the Offeror regarding the ED Group” in the “Letter from Kingston Securities” in this Composite Document.

8. GENERAL INFORMATION OF THE ED GROUP

Enterprise Development is an investment holding company. The ED Group is principally engaged in providing integrated business software solutions, trading of listed securities and mobile marketing.

Your attention is drawn to the financial information of the ED Group set out in Appendix IIA and the general information of the ED Group set out in Appendix III to this Composite Document.

LETTER FROM THE ED BOARD

9. PROFIT WARNING ANNOUNCEMENT

As disclosed in the Profit Warning Announcement, based on the preliminary review on the unaudited management account of the ED Group and information currently available to the ED Board, the ED Group is expected to record a loss attributable to equity shareholders for the year ended 31 December 2016, compared to the profit attributable to equity shareholders for the corresponding year ended 31 December 2015. The loss attributable to equity shareholders was mainly due to, including but not limited to, (i) the ED Group will recognize impairment on its goodwill of approximately RMB189.8 million for the year ended 31 December 2016; (ii) the ED Group will recognize impairment on its available-for-sale securities of approximately RMB41.1 million for the year ended 31 December 2016; and (iii) the realized and unrealized loss on investments in listed financial assets at fair value through profit and loss is approximately RMB81.4 million for the year ended 31 December 2016, compared to the realized and unrealized gain on investments in listed financial assets at fair value through profit and loss is approximately RMB43.2 million for the corresponding year ended 31 December 2015.

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Announcement is regarded as a profit forecast and must be reported on by the Enterprise Development's auditors and the ED Independent Financial Adviser in accordance with Rule 10.4 of the Takeovers Code. In this regard, the Profit Warning Announcement has been reported on by HLB Hodgson Impey Cheng Limited, the auditors of Enterprise Development and the ED Independent Financial Adviser. Your attention is drawn to the report from HLB Hodgson Impey Cheng Limited and the ED Independent Financial Adviser on the Profit Warning Announcement set out in Appendix IIB to this Composite Document.

10. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "6 Taxation and independent advice" in the "Letter from Kingston Securities" in this Composite Document.

None of the Offeror, Rentian, Enterprise Development, Kingston Securities, nor any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

LETTER FROM THE ED BOARD

11. RECOMMENDATION AND ADDITIONAL INFORMATION

In the letter from the ED Independent Financial Adviser set out on pages 35 to 54 of this Composite Document, Shinco states that it considers the terms of the Offer are fair and reasonable, and recommends the ED Independent Board Committee to advise the ED Independent Shareholders to accept the Offer. The ED Independent Board Committee, having considered the terms of the Offer and having taken into account the advice of Shinco, and in particular the factors, reasons and recommendations set out in its letter on pages 33 to 34 of this Composite Document, considers that the terms of the Offer are fair and reasonable so far as the ED Independent Shareholders are concerned.

Your attention is drawn to (i) the “Letter from the ED Independent Board Committee” on pages 33 to 34 of this Composite Document, which sets out its recommendations to the ED Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer and (ii) the “letter from the ED Independent Financial Adviser” on pages 35 to 54 of this Composite Document, which sets out its advice to the ED Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendations.

You are also advised to read the “Letter from Kingston Securities” on pages 12 to 27 of this Composite Document, the “Further terms and procedures of acceptance of the Offer” set out in Appendix I to this Composite Document and the accompanying Form of Acceptance in respect of the terms and procedures of acceptance of the Offer.

Yours faithfully,
For and on behalf of
Enterprise Development Holdings Limited
Lam Kai Tai
Chairman

LETTER FROM THE ED INDEPENDENT BOARD COMMITTEE



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
企展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

24 March 2017

To the ED Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
ENTERPRISE DEVELOPMENT
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 24 March 2017 jointly issued by the Offeror and Enterprise Development of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the ED Board to consider the terms of the Offer and to make recommendations to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the ED Independent Shareholders are concerned as to acceptance of the Offer. We have declared that we are independent and have no direct or indirect interest in the Offer, and therefore are able to consider the terms of the Offer and to make recommendations to the ED Independent Shareholders.

Shinco Capital Limited with our approval, has been appointed, as the independent financial adviser to advise us in respect of the Offer and its terms and conditions. Your attention is drawn to the “Letter from the ED Independent Financial Adviser” set out on pages 35 to 54 of the Composite Document which contains the details of its advice, the principal factors and reasons taken into consideration in arriving at its recommendations in respect of the Offer.

LETTER FROM THE ED INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the “Letter from Kingston Securities” set out on pages 12 to 27 of the Composite Document which contains, *inter alia*, information about the Offer; the “Letter from the ED Board” set out on pages 28 to 32 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms and procedures of acceptance for the Offer.

Having taken into account the independent advice from the ED Independent Financial Adviser, in particular the factors, reasons and recommendations as set out on pages 35 to 54 of the Composite Document, “Letter from the ED Independent Financial Adviser”, we consider that the terms of the Offer are fair and reasonable so far as the ED Independent Shareholders are concerned. Accordingly, we recommend the ED Independent Shareholders to accept the Offer.

Notwithstanding our recommendations, the ED Independent Shareholders are reminded that the decisions to realise or to hold their investment in the ED Shares are subject to individual circumstances and investment objectives. Please consult your own professional advisers for professional advice.

Yours faithfully,

The independent board committee of
Enterprise Development Holdings Limited

Ms. Hu Gin Ing

Mr. Liu Kam Lung

Mr. Liu Jian

Independent non-executive ED Directors

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER



Room 1106, 11/F
Office Plus@Sheung Wan
No. 93 – 103 Wing Lok Street
Sheung Wan
Hong Kong

24 March 2017

*To the ED Independent Board Committee of
Enterprise Development Holdings Limited (“ED”)*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
LUCK SUCCESS DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
TO BE ACQUIRED BY
LUCK SUCCESS DEVELOPMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the ED Independent Financial Adviser to advise the ED Independent Board Committee in respect of the terms of the Offer, details of which are set out in the Composite Document dated 24 March 2017 jointly issued by ED and the Offeror to the ED Independent Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement, in which Rentian, the Offeror and ED jointly announced that Kingston Securities will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all the ED Shares in the entire issued share capital of ED (other than those ED Shares already owned by or to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, there are 501,508,982 ED Shares in issue and there are no outstanding warrants, options, derivatives or securities convertible into ED Shares and ED has not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into ED Shares. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are, in aggregate, interested in 136,815,500 ED Shares, representing approximately 27.28% of the entire issued share capital of ED, which comprises (i) 55,198,000 ED Shares beneficially owned by the Offeror, (ii) 17,182,000 ED Shares beneficially owned by Sino Wealthy, (iii) 60,435,500 ED Shares beneficially owned by Affluent Start, and (iv) 4,000,000 ED Shares beneficially owned by Mystery Idea.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

In accordance with the Takeovers Code, ED has established the ED Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian to advise the ED Independent Shareholders in respect of the Offer pursuant to Rule 2.1 of the Takeovers Code.

We, Shinco Capital Limited, have been appointed as the ED Independent Financial Adviser to advise the ED Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the ED Independent Financial Adviser has been approved by the ED Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with ED, the Offeror or Rentian, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the ED Independent Financial Adviser, save for this appointment as the ED Independent Financial Adviser in respect of the Offer, there were no other engagements between Shinco Capital Limited and the ED Group, the Offeror or Rentian. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from ED, the Offeror or Rentian, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the ED Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the ED Directors and the senior management of ED. We have assumed that all statements, information and representations provided by the ED Directors and the management of ED, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the ED Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the ED Directors or the Offeror (as the case may be) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by ED, Offeror, their respective advisers, the ED Directors and/or the director of the Offeror, which have been provided to us.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

The ED Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror, Rentian and its subsidiaries, and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror, Rentian and its subsidiaries, and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document, including this letter, incorrect or misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the ED Group), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the ED Group or the ED Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the ED Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

We have not considered the tax and regulatory implications on the ED Group or the ED Independent Shareholders as a result of the Offer since these depend on their individual circumstances. In particular, the ED Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non acceptance of the Offer.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the ED Independent Board Committee in respect of the Offer, we have taken into account the following principal factors and reasons:

1. Financial Information of the ED Group and industry outlook

(a) Financial information of the ED Group

The ED Group is principally engaged in providing integrated business software solutions, trading of listed securities and mobile marketing.

Set out below are extracts of consolidated income statement and consolidated statement of financial position of the ED Group for (i) the three years ended 31 December 2015 as extracted from the annual reports of ED for the year ended 31 December 2014 (the “**Annual Report 2014**”) and 31 December 2015 (the “**Annual Report 2015**”); and (ii) the 6 months ended 30 June 2015 and 30 June 2016 as extracted from the interim report of ED for the 6 months ended 30 June 2016 (the “**Interim Report 2016**”):

Table 1: Consolidated income statement of the ED Group

	For the 6 months ended		For the year ended		
	30 June		31 December		
	2016	2015	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	224,661	338,692	419,706	333,385	181,267
Gross profit	40,809	227,372	115,045	71,279	59,106
(Loss)/profit for the period/year	(124,040)	171,495	13,351	17,979	16,005
(Loss)/profit attributable to the ED					
Shareholders for the period/year	(129,332)	168,895	7,436	11,472	8,794
<i>Ratio analysis:</i>					
Gross profit ratio	18.16%	67.13%	27.41%	21.38%	32.61%
Profit ratio	N/A	50.63%	3.18%	5.39%	8.83%

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

Table 2: Segment revenue and profit contribution

	For the 6 months ended 30 June				For the year ended 31 December			
	2016		2015		2015		2014	
	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>contribution</i> <i>to revenue</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>contribution</i> <i>to revenue</i>	<i>RMB'000</i> <i>(audited)</i>	<i>%</i> <i>contribution</i> <i>to revenue</i>	<i>RMB'000</i> <i>(audited)</i>	<i>%</i> <i>contribution</i> <i>to revenue</i>
Reportable segment revenue contribution								
Software business	215,824	96.06%	141,663	41.83%	364,077	86.74%	314,941	94.47%
– Software maintenance and other services	202,423	90.10%	138,341	40.85%	336,401	80.15%	305,018	91.49%
– Sales of software products and others	13,401	5.96%	3,322	0.98%	27,676	6.59%	9,923	2.98%
Trading and investment business	3,994	1.78%	194,024	57.29%	43,219	10.30%	18,444	5.53%
Mobile marketing business	4,780	2.13%	3,005	0.88%	12,407	2.96%	–	–
Other	63	0.03%	–	–	3	0.00%	–	–
Total	<u>224,661</u>	<u>100.00%</u>	<u>338,692</u>	<u>100.00%</u>	<u>419,706</u>	<u>100.00%</u>	<u>333,385</u>	<u>100.00%</u>
	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>contribution</i> <i>to profit</i> <i>(Note)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>contribution</i> <i>to profit</i> <i>(Note)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>%</i> <i>contribution</i> <i>to profit</i> <i>(Note)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>%</i> <i>contribution</i> <i>to profit</i> <i>(Note)</i>
Reportable segment profit contribution								
Software business	18,602	82.36%	8,909	4.40%	17,860	29.13%	19,827	52.45%
Trading and investment business	3,983	17.64%	193,523	95.55%	42,620	69.50%	17,972	47.55%
Mobile marketing business	(100,525)	–	110	0.05%	842	1.37%	–	–
Other	(327)	–	–	–	(202)	–	–	–
Total	<u>(78,267)</u>	<u>100.00%</u>	<u>202,542</u>	<u>100.00%</u>	<u>61,120</u>	<u>100.00%</u>	<u>37,799</u>	<u>100.00%</u>

Note: the calculation of the percentage of contribution to profit are calculated on segments that contributed profit during the relevant period/year.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

Table 3: Consolidated statement of financial position of the ED Group

	As at	As at 31 December		
	30 June	2015	2014	2013
	2016	2015	2014	2013
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Net current assets	308,757	247,937	254,873	164,188
Net assets	477,098	523,615	329,916	190,399
Net assets attributable to the ED Shareholders	393,280	445,537	257,761	124,752

For the year ended 31 December 2014 (“FY2014”)

As set out in Table 1 above, the turnover of the ED Group increased from approximately RMB181.27 million for the year ended 31 December 2013 (“**FY2013**”) to approximately RMB333.39 million for the FY2014, representing an increase of approximately 83.92%. For the FY2014, the ED Group recorded a gross profit of approximately RMB71.28 million as compared to that of RMB59.11 million for the FY2013. The ED Group recorded a profit attributable to ED Shareholders of approximately RMB11.47 million for the FY2014 as compared to that of approximately RMB8.79 million for the FY2013.

According to the Annual Report 2014 and as advised by the management of ED, the increase in profit for the FY2014 was due to the increase in the realised gain on trading securities.

As set out in Table 3 above, for the FY2014 the ED Group recorded net current assets, net assets and net assets attributable to the ED Shareholders of approximately RMB254.87 million, RMB329.92 million and RMB257.76 million respectively.

For the year ended 31 December 2015 (“FY2015”)

As set out in Table 1 above, the turnover of the ED Group increased from approximately RMB333.39 million for the FY2014 to approximately RMB419.71 million for the FY 2015, representing an increase of approximately 25.89%. For the FY2015, the ED Group recorded a gross profit of approximately RMB115.05 million as compared to that of RMB71.28 million for the FY2014. The ED Group recorded a profit attributable to ED Shareholders of approximately RMB7.44 million for the FY2015 as compared with that of approximately RMB11.47 million for the FY2014.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

It is noted from the Table 1 above that while there is increase in turnover and the gross profit, the profit was decreased for the FY2015. According to the Annual Report 2015 and as advised by the management of ED, the reduce in profit was mainly due to, among other (i) the increase in general and administrative expenses from approximately RMB28.07 million for the FY2014 to RMB67.72 million for the FY2015 mainly due to the increase of staff costs, legal and professional fees, entertainment and travelling for business expansion during the year; and (ii) the recognition of loss on early redemption of promissory notes of RMB3.95 million.

During the FY2015, it is noted from Table 1 that the ED Group recorded a profit attributable to ED Shareholders of approximately RMB168.90 million for six months ended 30 June 2015 (“**6-month 2015**”), but it reduced to approximately RMB7.44 million only for the full financial year in the FY2015.

For the 6-month 2015, it is noted that the turnover recorded from trading and investment business amounted to approximately RMB194.02 million, but for FY2015 (on an annual basis), the full year turnover from this business was only RMB43.22 million. As advised by the management of the ED Group, such substantial reduction was mainly attributable to the price fluctuation of a listed security held by the ED Group under this business during the FY2015. For the 6-month 2015, this listed security reached its peak and unrealised gains was recorded due to the substantial price appreciation, however as the market price of it dropped from 1 July 2015 to 31 December 2015, the unrealised gain on the investment on an annual basis decreased.

On 14 May 2015, ED acquired and commenced the mobile marketing business. This mobile marketing business contributed a total revenue of approximately RMB12.41 million for the FY2015 after completion of acquisition.

As set out in Table 3 above, as at 31 December 2015, the ED Group recorded net current assets, net assets and net assets attributable to the ED Shareholders of approximately RMB247.94 million, RMB523.62 million and RMB445.54 million respectively.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2016 (“6-month 2016”)

As set out in Table 1 above, the turnover of the ED Group for 6-month 2016 amounted to approximately RMB224.66 million compared to approximately RMB338.69 million for 6-month 2015. Of the RMB224.66 million turnover for the 6-month 2016, approximately RMB215.82 million was derived from the software business, represented about 96% of the total turnover during the period. The gross profit for 6-month 2016 was approximately RMB40.81 million only compared to approximately RMB227.37 million for the 6-month 2015, represented a substantial decrease. ED recorded loss attributable to ED Shareholders of approximately RMB129.33 million for 6-month 2016 compared to a gain of approximately RMB168.90 million for 6-month 2015.

According to the Interim Report 2016, there was a substantial decrease in turnover generated from the trading and investment business for 6-month 2016, from approximately RMB194.02 million for the 6-month 2015 to RMB3.99 million for the 6-month 2016. The substantial drop was mainly due to the substantial appreciation of a listed security held by the ED Group for the 6-month 2015 as discussed above, while there are no such substantial appreciation for the 6-month 2016, resulting in comparatively lower turnover for 6-month 2016.

For the 6-month 2016, the reduction in turnover generated from the trading and investment business was partially offset by the increase in software business from approximately RMB141.66 million for the 6-month 2015 to RMB215.82 million for 6-month 2016. While there was an increase in turnover from the software business, both the ED Group’s gross profit and gross profit ratio reduced during the 6-month 2016. As set out in the Interim Report 2016, the gross profit ratio for the software business was approximately 17% for 6-month 2016 as compared to 23% for 6-month 2015, mainly because such increase in turnover from the software business were derived from maintenance services with lower gross profit ratio, attributing to a substantial decrease in the gross profit. As set out in Table 2 above, the turnover from the software maintenance and other service increased from approximately RMB138.34 million for 6-month 2015 to approximately RMB202.42 million for 6-month 2016.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

During 6-month 2016, it is noted that the business performance of mobile marketing segment declined. In the FY2015, this business contributed turnover of approximately RMB12.41 million (during the 7.5 months) after acquisition. However, during the 6-month 2016, this business contributed turnover of merely approximately RMB4.78 million. As shown in the Interim Report 2016, due to the deteriorating performance and suffering significant loss in mobile marketing business, there was an impairment loss on goodwill of RMB86.93 million recognised for this business. We have enquired the management of the ED Group and be advised that this business segment has not been performing as expected after its completion of acquisition and has recognised significant loss since 6-month 2016. As advised by the management of the ED Group, at present there are no concrete plan to increase the scale of this business, but the ED Group will try their best to grasp the opportunities to enhance the source of revenue.

In addition to the substantial decrease in the gross profit for 6-month 2016, and the provision for impairment loss of approximately RMB86.93 million on its goodwill arising from the acquisition of mobile marketing business the ED Group also recorded provision for impairment loss on the available-for-sales securities of approximately RMB40.38 million for 6-month 2016, resulting in the ED Group recorded a loss for the 6-month 2016.

As set out in Table 3 above, as at 30 June 2016, the ED Group recorded net current assets, net assets and net assets attributable to the ED Shareholders of approximately RMB308.76 million, RMB477.10 million and RMB393.28 million respectively.

(a) Profit forecast for the year ended 31 December 2016 (the “FY2016”)

ED issued the Profit Warning Announcement, in which it announced that ED is expected to record a loss attributable to equity shareholders for the FY2016, compared to the profit attributable to equity shareholders for the corresponding year in FY2015. The loss attributable to equity shareholders was mainly due to, including but not limited to, (i) the ED Group will recognize impairment on its goodwill of approximately RMB189.8 million for the FY2016; (ii) the ED Group will recognize impairment on its available-for-sale securities of approximately RMB41.1 million for the FY2016; and (iii) the realized and unrealized loss on investments in listed financial assets at fair value through profit and loss is approximately RMB81.4 million for the FY2016, compared to the realized and unrealized gain on investments in listed financial assets at fair value through profit and loss is approximately RMB43.2 million for the corresponding year in the FY2015. We note that for the 6-month 2016, there are (i) impairment loss on goodwill of approximately RMB86.93 million only; (ii) provision for impairment loss on the available-for-sales securities of

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

approximately RMB40.38 million only; and (iii) net realised and unrealised gains on trading securities of approximately RMB3.99 million. Therefore the amount differences set out in the Interim Report 2016 and the Profit Warning Announcement, being (i) approximately RMB102.87 million for the impairment loss on goodwill; (ii) loss of approximately RMB0.72 million for the investment in listed financial assets at fair value through profit; and (iii) realised and unrealised loss on trading securities of approximately RMB85.39 million would be recognised in the second half of the FY2016.

(b) Industry outlook of the business of the ED Group

ED is mainly engaged in provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The ED Group also provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC. As set out above, for the 6-month 2016, this business accounted for approximately 96% of the total turnover of the ED Group.

Software industry has a steady growth in China. According to the information from Software Industry Economic Performance Report for January 2016 – December 2016 (《2016年1-12月軟件業經濟運行快報》), published by the Ministry of Industry and Information Technology of the PRC (the “MIIT”), the total revenue for the entire software and IT services industry amounted to RMB4.9 trillion in 2016, representing an increase of 14.9% compared to 2015. The total profit for the software and IT services industry has increased to RMB602.1 billion in 2016, representing an annual growth of 14.9% compared to 2015. The sub-sector, IT services, where ED's businesses largely lie in, has achieved a total revenue of approximately RMB2.5 trillion with a 16% annual growth, which is 1.1% higher than the industry average growth.

The State Council of the PRC has highlighted the development of big-data related products in its 13th Five-Year Plan. MIIT has published Software and IT services industry development plan (2016-2020)(《軟件和信息技術服務業發展規劃(2016-2020年)》)(the “Plan”) which underlines the importance of software and IT service industry in contributing the economic growth and its direction in the industry's development. The Plan targets to achieve average annual growth of 13% for the software and IT services industry, and RMB8 trillion revenue by 2020.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

As advised by the management of ED, although the maintenance business of ED maintained steady growth for the 2 years ended 31 December 2015 and the 6-month 2016, this business is still facing intense competition from similar market participants who offer similar service in the upgrade and maintenance services for Oracle's database products. Unlike other software developing business, the gross profit margin of maintenance service are generally lower and its future success is largely rely on the continuous success of the sales of the software developer's products in the PRC. Therefore, whether ED will be directly benefit from the Plan is not certain. As advised by the management of ED, the ED Group need to continue its effort in differentiating its service from other similar service providers and without a change in the business model, this business is expected to remain stable with stable margin.

(c) Conclusion

While the software maintenance business is expected to remain stable, we remain prudence on the future prospect of ED as (i) the unsatisfactory financial performance of the ED Group with net loss for the 6-month 2016 and the expected loss for the FY2016; (ii) the future performance of the trading and investment segment are subject to the future price fluctuation of the investment held on hand; and (iii) with the deteriorating performance in the mobile marketing business of the ED Group, the future prospect of this business remains uncertain.

2. Information on the Offeror and the Offeror's intention regarding the ED Group

(a) Information on the Offeror

As disclosed in the "LETTER FROM KINGSTON SECURITIES" in the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Rentian whose issued shares are listed on the main board of the Stock Exchange. Rentian is an investment holding company, and through its subsidiaries and associated company, is principally engaged in (i) the provision of integrated smart internet-of-things solutions to enterprise customers; (ii) Human-machine Interactive Devices business; (iii) securities investment; and (iv) money lending business.

As at the Latest Practicable Date, Mr. Choi Chi Fai is the sole director of the Offeror.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

(b) Intention of the Offeror Business of the ED Group

As stated in the “LETTER FROM KINGSTON SECURITIES” in the Composite Document, the Offeror intends to continue the existing businesses of the ED Group. As at the Latest Practicable Date, the Offeror has no plans to inject any assets or businesses into the ED Group or to procure the ED Group to acquire or dispose of any assets.

Immediately after the close of the Offer, the Offeror will conduct a review of the financial position and operations of the ED Group in order to formulate a long-term strategy for the ED Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. As at the Latest Practicable Date, the Offeror has not identified such investments or business opportunities.

Subject to the result of the Offeror’s review of ED, the Offeror has no intention to terminate the employment of any employees of the ED Group or to make significant changes to any employment (except for the proposed change of the ED Board composition as detailed below) or to dispose of or re-allocate the ED Group’s assets.

(c) Proposed change of ED Board composition

The ED Board is currently made up of six ED Directors, comprising three executive ED Directors, being Mr. Lam Kai Tai (Chairman), Mr. Wong Ho Sing and Mr. Li Jiang Nan, and three independent non-executive ED Directors, being Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian.

As stated in the “LETTER FROM KINGSTON SECURITIES” in the Composite Document, the Offeror may nominate directors who will have the relevant knowledge and experience in the industry that ED is now carrying on the business to the ED Board for appointment after the close of the Offer. As at the Latest Practicable Date, the Offeror had not decided on the future composition of the ED Board. Any changes to the composition of ED Board will be made in compliance with the Takeovers Code and the Listing Rules.

The Offeror was informed by the ED Board who has made enquiry with the ED Directors that Mr. Wong Ho Sing and Mr. Liu Kam Lung who intend to tender their resignation with effect from the final close of the Offer, while Mr. Lam Kai Tai, Mr. Li Jiang Nan, Ms. Hu Gin Ing and Mr. Liu Jian have no intention to resign as the ED Directors unless the Offeror requests to do so. The Offeror has no intention to require Mr. Lam Kai Tai, Mr. Li Jiang Nan, Ms. Hu Gin Ing and Mr. Liu Jian to resign as the ED Directors. As such, the Offeror is confident that management and operation of ED will not be affected following the close of the Offer and the appointment of new ED Director by the Offeror.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

(d) Maintaining the listing status of ED

As stated in the “LETTER FROM KINGSTON SECURITIES” in the Composite Document, the Offeror has no intention to privatise the ED Group and intends to maintain the listing of the ED Shares on the Stock Exchange and the remaining ED Directors and the sole director of the Offeror has jointly and severally undertaken to the Stock Exchange that in the event that after the close of the Offer, the public float of ED falls below 25%, they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible, to ensure that sufficient public float exists for the ED Shares. The sole director of the Offeror will also procure the new ED directors to be appointed to the ED Board to undertake the same upon their appointments.

The Stock Exchange has stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to ED, being 25% of the issued ED Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the ED Shares; or (ii) there are insufficient ED Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the ED Shares.

(e) Our view

In view of above that:

- (i) the Offeror will conduct a review of the financial position and operations of the ED Group in order to formulate a long-term strategy for the ED Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases, however, at the Latest Practicable Date, the review has not been started and the Offeror has not identified such investments or business opportunities; and
- (ii) though there is no intention of the Offeror to require the ED Directors to resign, the Offeror has not yet determined the new ED Directors which form composition of the ED Board,

we are of the view there remains uncertainty on the future performance of the ED Group under the control of the Offeror (if the Offer become unconditional) as the ED Group incurred loss for the FY2016 as mentioned in the section headed “**1. Financial Information of the ED Group and industry outlook**” above and yet there is no concrete plan or direction proposed by the Offeror to improve the future performance of the ED Group.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Offer

Kingston Securities is making the Offer for and on behalf of the Offeror at the Offer Price of HK\$1.00 in cash for each Offer Share in compliance with the Takeovers Code.

The Offer is conditional upon, among other, valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of ED Shares which, together with ED Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it together holding not less than 50% of the voting rights of ED.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in “LETTER FROM KINGSTON SECURITIES” and Appendix I of the Composite Document.

(a) Comparison of the market prices of the ED Shares

The Offer Price of HK\$1.00 per Offer Share represents:

- (i) a premium of approximately 6.38% over the closing price of HK\$0.94 per ED Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.26% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.95 per ED Share;
- (iii) a premium of approximately 4.71% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.955 per ED Share;
- (iv) a premium of approximately 20.48% over the average of the closing prices of the ED Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.83 per ED Share;
- (v) a discount of approximately 6.54% to the unaudited consolidated net asset value per ED Share as at 30 June 2016 of approximately HK\$1.07 (which was calculated by dividing the sum of the unaudited consolidated net asset value of the ED Group as at 30 June 2016 (being the date to which the latest unaudited financial statements of ED were made up) of approximately RMB477,098,000 (equivalent to approximately HK\$534,349,760) by 501,508,982 ED Shares in issue as at the Latest Practicable Date);

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

- (vi) a premium of approximately 13.64% over the unaudited consolidated net asset value attributable to equity shareholders of the ED Group per ED Share as at 30 June 2016 of approximately HK\$0.88 (which was calculated by dividing the sum of the unaudited consolidated net asset value attributable to equity shareholders of the ED Group as at 30 June 2016 (being the date to which the latest unaudited financial statements of ED were made up) of approximately RMB393,280,000 (equivalent to approximately HK\$440,473,600) by 501,508,982 ED Shares in issue as at the Latest Practicable Date); and
- (vii) a discount of approximately 0.99% to the closing price of HK\$1.01 per ED Share as quoted on the Stock Exchange on the Latest Practicable Date.

As disclosed above, the Offer Price represents (i) premiums over the relevant closing prices of the ED Share for most of the time before the Last Trading Day; and (ii) a premium over the net asset value attributable to ED Shareholders per ED Share as at 30 June 2016.

(b) Historical price performance of the ED Shares

The following chart sets out the closing prices of the ED Shares as quoted on the Stock Exchange during the period from 1 February 2016 to 9 February 2017, i.e. the Last Trading Day, which lasts for at least 12 complete calendar months, and further up to the Latest Practicable Date (the “**Review Period**”):

Chart 1: Comparison of the Offer Price to market prices of ED Shares



Source: Website of the Stock Exchange (www.hkex.com.hk)

Note: During the Review Period, trading in the ED Shares was suspended from 10 February 2017 to 13 February 2017 pending the release of the Joint Announcement.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the recent trend of the closing price of the ED Shares and the Offer Price. As illustrated by Chart 1 above, the closing prices of the ED Shares decreased from HK\$1.11 per ED Share on 23 February 2016 at the beginning of the Review Period and then demonstrated a downward trend and reached the bottom of HK\$0.265 per ED Share on 22 August 2016. The closing price of the ED Shares then gradually increased to its peak of HK\$0.98 on 24 January 2017. As advised by management of the ED Group, they were not aware of any reasons for such turnaround and the rising trend of the ED Shares. The ED Shares closed at HK\$0.94 per ED Share before the Last Trading Day. After the Last Trading Day and the release of the Joint Announcement, the trading prices of the ED Shares reached another peak of HK\$1.13 per ED Share on 20 February 2017 and then reduced gradually. There was 26 trading days of the ED Shares after the issue of the Joint Announcement, for the last 14 trading days prior to the Latest Practicable Date, it is noted that closing prices the ED Shares maintained at a level that was only ranged from HK\$1.00 to HK\$1.01, which equal to or slightly above the Offer Price of HK\$1.00. We consider that such increase in the ED Share price after the release of the Joint Announcement and the current level of the ED Shares price may be associated with the Offer as the Offer Price presents a premium over the closing price of the ED Shares for most of the Review Period.

During the Review Period, the highest and lowest closing price of the ED Shares during the Review Period were HK\$1.13 per ED Share (recorded on 20 February 2017) (“**Highest Price**”) and HK\$0.265 per ED Share (recorded on 22 August 2016) (“**Lowest Price**”) respectively, with an average closing price of approximately HK\$0.668 (“**Average Closing Price**”) per ED Share. The Offer Price represents (i) a discount of approximately 11.5% to the Highest Price; (ii) a premium of approximately 277.36% over the Lowest Price; and (iii) a premium of approximately 49.70% over the Average Closing Price. In addition, we noted that the closing prices of the ED Shares were below the Offer Price for most of the time since mid of March 2016.

It is noted from the Chart 1 that there was an increasing trend of the ED Shares before the release of the Joint Announcement and there was an increase in the ED Share price after the release of the Joint Announcement which stayed at or above the Offer Price up to and including the Latest Practicable Date. ED Shareholders should note that the information and the trend set out above is not an indicator of the future performance of the ED Shares, and that the price of the ED Shares may increase or decrease after the Latest Practicable Date. There is no assurance that the closing price of the ED Shares will continue to rise or be maintained at a level equal to or above the Offer Price after the Latest Practicable Date or after the close of the Offer. In view of the fluctuation in the trading price of the ED Shares as stated above, ED Independent Shareholders who wish to realize their investment in the ED Group are reminded that they should carefully and closely monitor the market price of the ED Group during the Offer Period and consider selling their ED Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such ED Shares in the open market would exceed the net amount receivable under the Offer.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

(c) Historical trading liquidity of the ED Shares

Set out in the table below are the monthly figures during the Review Period regarding (i) number of trading days of the ED Shares; (ii) the total trading volume of the ED Shares; and (iii) the ratio of the monthly/period trading volume to the total number of issued ED Shares (the “**Trading Volume Ratio**”):

Table 4: trading volume of the ED Shares

Month	Number of trading days of the ED Shares during the month/period	Average monthly trading volume of the ED Shares <i>(Note)</i>	Percentage of the average monthly trading volume to the total number of share issue at the end of the month/period <i>(Note)</i>
2016			
February	18	2,564,344	0.74%
March	21	4,137,400	1.19%
April	20	2,644,330	0.63%
May	21	3,063,543	0.73%
June	21	2,898,314	0.69%
July	20	1,983,993	0.47%
August	22	7,678,046	1.84%
September	21	3,863,158	0.92%
October	19	5,116,147	1.22%
November	22	4,781,191	1.14%
December	20	4,421,137	0.88%
2017			
January	19	2,744,632	0.55%
February	20	3,053,060	0.61%
March (up to and including the Latest Practicable Date)	15	3,991,487	0.80%
Average			0.89%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Note: The above calculations of the monthly trading volume of the ED Shares and the percentage to the total number of share issue at the end of the month/period have taken into account of the share consolidation of every 10 ED shares into 1 ED Share which took effect on 30 June 2016.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

As illustrated in Table 4 above, the average monthly trading volume during the Review Period ranged from approximately 1,983,993 ED Shares to approximately 7,678,046 ED Shares, representing approximately 0.47% to approximately 1.84% of the total number of ED Shares at the end of that period/month.

Having considered that, the average monthly/period trading volume to the total ED Shares at the end of the month/period during the Review Period were less than 1%, we consider that the trading volume of the ED Shares was relatively low during the Review Period.

Given the thin historical trading volume of the ED Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the ED Shares for the ED Independent Shareholders to dispose of a significant number of ED Shares in the open market without causing an adverse impact on the market price level of the ED Shares. Accordingly, the market trading price of the ED Shares may not necessarily reflect the proceeds that the ED Independent Shareholders can receive by the disposal of their ED Shares in the open market. The Offer, therefore, represents an assured opportunity for the ED Independent Shareholders, particular for those who hold a large number of the ED Shares, to dispose of some or all of them at the Offer Price if they so wish, without creating a significant downside pressure on the trading price of the ED Shares.

(d) Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, it is a general practice to make reference to other comparable companies. We attempt to carry out a comparable analysis with the price-to-earnings ratio and price-to-book ratio which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. Therefore we consider the price-to-earnings ratio analysis and price-to-book ratio analysis are appropriate.

However in light of (i) the expected loss making position of the ED Group for FY2016 which has been announced in the Profit Warning Announcement, price-to-earnings ratio analysis is not practicable; and (ii) the business model of the ED Group is asset-light, the price-to-book ratio analysis is less meaningful as it is mainly used in evaluating capital-intensive business, comparable analysis may not be applicable in assessing the fairness and reasonable of the Offer, no comparable analysis can be done for analysis.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

(e) Our view

Having considered that:

- (i) the deteriorating trend of the financial performance of the ED Group, in particular the ED Group started to record loss for 6-month 2016 as compared with a profit for the FY2015 and FY2014;
- (ii) the Offer Price represents a premium over the closing prices of the ED Shares for most of the time during the Review Period, except the period subsequent to the release of the Joint Announcement where there is an increase in the ED Share price and slight discount of the Offer Price to the ED Share price on the Latest Practicable Date, which we considered it to be associated with the announcement of the Offer;
- (iii) there is no assurance that the closing price of the ED Shares will be maintained at a level equal to or above the Offer Price after the Latest Practicable Date or after the Offer is closed;
- (iv) the Offer Price represents a premium of approximately 6.38% over the closing price of HK\$0.94 per ED Share on the Last Trading Day; and
- (v) the Offer Price represents a premium of approximately 13.64% over the unaudited net assets attributable to ED Shareholders per ED Share as at 30 June 2016;

we are of the view that the Offer Price is fair and reasonable.

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, we are of the opinion that the terms of the Offer is fair and reasonable so far as the ED Independent Shareholders are concerned. Accordingly, we recommend the ED Independent Board Committee to advise the ED Independent Shareholders to accept the Offer.

The ED Independent Shareholders who intend to accept the Offer, are reminded to closely monitor the market price and liquidity of the ED Shares during the Offer Period, and having regard to their own circumstances, consider selling the ED Shares in the open market, instead of accepting the Offer, if the net proceeds from the ultimate sale of such ED Shares would be higher than that receivable under the Offer. For the ED Independent Shareholders who intend to disposal of large blocks of ED Shares held by the ED Independent Shareholders in the open market are also reminded of the possible difficulty in disposing of their ED Shares in the open market without creating downward pressure on the price of the ED Shares as a result of the thin trading of the ED Shares.

LETTER FROM THE ED INDEPENDENT FINANCIAL ADVISER

For those ED Independent Shareholders who consider to retain their ED Shares in full or in part, are advised that there is no guarantee that the prevailing level of the ED Share price will sustain during and after the Offer Period.

The ED Independent Shareholders are reminded that their decisions to dispose of or hold their investment in the ED Shares are subject to their individual circumstances and investment objectives. The ED Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Shinco Capital Limited

Bobby Chow
Managing Director

Teresa Tsang
Director

Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

Ms. Teresa Tsang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

1 PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should duly complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong marked "Enterprise Development Holdings Limited – Offer" on the envelope so as to reach the Registrar as soon as possible but in any event by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares to the Registrar; or

- (ii) arrange for the Offer Shares to be registered in your name by Enterprise Development through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer to the Registrar; or
 - (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged a transfer of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of those Offer Shares, you should nevertheless duly complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s), if any, duly signed by yourself and/or other document(s) of title or entitlement in respect thereof (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or Kingston Securities and/or their respective agent(s) to collect from Enterprise Development or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of any of your Offer Shares, the Form of Acceptance should nevertheless be duly completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares, you should also write to the Registrar for a form of letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.
- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar on or before the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer and, if that/those share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant ED Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or

- (ii) from a registered ED Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered ED Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty payable by the ED Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher (rounded up to the nearest of HK\$1.00), will be deducted from the amount payable by the Offeror to the relevant ED Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the ED Independent Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.
- (h) If the Offer is invalid, withdrawn or lapses, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post at your own risk the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares tendered for acceptance together with the duly cancelled Form of Acceptance to the relevant ED Independent Shareholder(s).
- (i) No acknowledgement of receipt of any Form of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares tendered for acceptance will be given.

2 SETTLEMENT UNDER THE OFFER

Subject to the Offer becoming or being declared unconditional in all respects and provided that a duly completed Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the ED Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such ED Independent Shareholder by ordinary post at his own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the Offer become or is declared unconditional in all respects; and (ii) the date of receipt of a duly completed Form of Acceptance together with all of the relevant document(s) by the Registrar to render such acceptance under the Offer valid.

Settlement of the consideration to which any ED Independent Shareholder is entitled to under the Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty) without regard to any lien, right of setoff, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such ED Independent Shareholder.

No fraction of a cent will be payable and the amount of cash consideration payable to a ED Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

3 ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer is revised or extended with the consent of the Executive in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar, in accordance with the instructions printed thereon and in this Composite Document by 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

If the Offer is revised or extended, the Offeror will issue an announcement in relation to any revision or extension of the Offer, which announcement will state either the next Closing Date or, a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given, before the Offer is closed, to those ED Independent Shareholders who have not accepted the relevant Offer. If, in the course of the Offer, the Offeror revises the terms of the Offer, all the ED Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

4 NOMINEE REGISTRATION

To ensure equality of treatment of all the ED Independent Shareholders, those ED Independent Shareholders who hold Offer Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5 ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, expired or have become or been declared unconditional (whether as to acceptances or in all respects). The announcement will state the following:

- (a) the total number of Offer Shares for which acceptances of the Offer have been received;
- (b) the total number of Offer Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period;
- (c) the total number of Offer Shares acquired or agreed to be acquired during the Offer Period by the Offeror and the parties acting in concert with it; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Enterprise Development which the Offeror and/or parties acting in concert with it have borrowed or lent, save for any borrowed Offer Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of issued share capital, and the percentages of voting rights, represented by these numbers of Offer Shares.

In computing the total number of Offer Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the conditions set out in this Appendix I, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6 RIGHT OF WITHDRAWAL

The Offer is conditional upon the fulfilment of the Conditions set out in the “Letter from Kingston Securities” in this Composite Document. Acceptance of the Offer tendered by the ED Independent Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in this paragraph and the paragraph below. Note that Rule 17 of the Takeovers Code provides that an acceptor of the Offer shall be entitled to withdraw his acceptance after twenty-one (21) days from the first Closing Date (being Tuesday, 18 April 2017) if the Offer has not by then become unconditional as to acceptances and up to the earlier of such time as the Offer becomes or is declared unconditional as to acceptances and 4:00 p.m. on the 60th day from the date of despatch of this Composite Document (being Tuesday, 23 May 2017 (or the date beyond which the Offeror has stated that the Offer will not be extended, if applicable)).

Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with the requirements set out in the section headed “Announcements” above, the Executive may require that the holders of Offer Shares who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.

7 TAXATION

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable to the relevant ED Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting ED Independent Shareholders in connection with the acceptance of the Offer and the transfer of the Offer Shares.

8 GENERAL

- (a) All communications, notices, Form of Acceptance, the relevant share certificate(s), transfer receipt(s), document(s) of title or entitlement in respect thereof and/or documentary evidence of authority (and/or any satisfactory indemnity or indemnities required in respect thereof) if delivered by or sent to or from the ED Independent Shareholders or their designated agents by post, shall be sent by ordinary post at their own risk, and none of Rentian, the Offeror, Enterprise Development, Kingston Corporate Finance, Kingston Securities and any of their respective directors, the Registrar and other parties involved in the Offer and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Subject to the Offer becoming or being declared unconditional in all respects, acceptance of the Offer by any person will be deemed to constitute a representation and warranty by such person or persons to:
 - (i) Rentian, the Offeror, Enterprise Development, Kingston Corporate Finance and Kingston Securities, that the Offer Shares sold by such person or persons to the Offeror are free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and any other third party rights of any nature and together with all rights attached to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date; and

- (ii) Rentian, the Offeror, Enterprise Development and their respective advisers, including Kingston Securities, the financial adviser to the Offeror in respect of the Offer, that if such ED Independent Shareholder accepting the Offer is a citizen, resident or national of a jurisdiction outside Hong Kong, he/she has observed and is permitted under all applicable laws and regulations to which such Overseas ED Independent Shareholder is subject to receive and accept the Offer and any revision thereof, and that he/she/it has obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and has paid all issue, transfer or other taxes or other required payments payable by him/her in connection with such acceptance, surrender and/or cancellation in any jurisdiction, and that he/she/it has not taken or omitted to take any action which will or may result in Rentian, the Offeror, Enterprise Development or their respective advisers, including Kingston Securities, the financial adviser to the Offeror, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his/her/its acceptance thereof and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations.
- (g) Under the terms of the Offer, the Offer Shares will be acquired with all rights attached thereto as at the Closing Date or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the Closing Date and free from all rights of preemption, options, liens, claims, equities, charges, encumbrances and any other third party rights.
- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) In making their decisions with regard to the Offer, the ED Independent Shareholders and should rely on their own examination of Rentian, the Offeror, the ED Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance shall not be construed as any legal or business advice on the part of Enterprise Development, Rentian, the Offeror and/or Kingston Securities. The ED Independent Shareholders should consult their own professional advisers for professional advice.

1. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the ED Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, which is extracted from the annual reports of Enterprise Development for the years ended 31 December 2015 and 2014 and the interim report for the six months ended 30 June 2016.

	Six months ended			
	30 June 2016	For the year ended 31 December		
	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(audited)	(audited)
Turnover	224,661	419,706	333,385	181,267
(Loss)/profit before taxation	(119,780)	16,392	21,722	20,027
Income tax expense	(4,260)	(3,041)	(3,743)	(4,022)
(Loss)/profit for the period/ year attributable to:				
– Equity shareholders of Enterprise Development	(129,332)	7,436	11,472	8,794
– Non-controlling interests	<u>5,292</u>	<u>5,915</u>	<u>6,507</u>	<u>7,211</u>
	<u>(124,040)</u>	<u>13,351</u>	<u>17,979</u>	<u>16,005</u>
		(Restated)	(Restated)	(Restated)
Basic and diluted (loss)/ earnings per ED Share (RMB) (Note)	(0.34)	0.029	0.074	0.060
Dividend per ED Share	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The auditors of Enterprise Development, HLB Hodgson Impey Cheng Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective financial statements of the ED Group for the three years ended 31 December 2013, 2014 and 2015, and the ED Group did not have any items which were exceptional because of size, nature or incidence for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

Note: Basic and diluted (loss)/earnings per ED Share were stated after taking into account the effect of the share consolidation that took place on 30 June 2016. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior years.

2. FINANCIAL STATEMENTS OF THE ED GROUP

Audited consolidated financial statements for the year ended 31 December 2015

The following is the full text of the audited consolidated financial statements of the ED Group for the year ended 31 December 2015 extracted from the annual report of Enterprise Development for the year ended 31 December 2015 (the “Annual Report”). Capitalized terms used in this section have the same meanings as those defined in the Annual Report:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Turnover	3	419,706	333,385
Cost of sales		<u>(304,661)</u>	<u>(262,106)</u>
Gross profit		115,045	71,279
Other revenue	4	2,487	66
Other net losses	5	(4,204)	–
Distribution expenses		(26,475)	(20,632)
General and administrative expenses		(67,717)	(28,074)
Other operating expenses		<u>(144)</u>	<u>(49)</u>
Profit from operations		18,992	22,590
Finance costs	6(i)	<u>(2,600)</u>	<u>(868)</u>
Profit before taxation	6	16,392	21,722
Income tax expense	7	<u>(3,041)</u>	<u>(3,743)</u>
Profit for the year	10	<u><u>13,351</u></u>	<u><u>17,979</u></u>
Attributable to:			
Equity shareholders of the Company		7,436	11,472
Non-controlling interests		<u>5,915</u>	<u>6,507</u>
Profit for the year		<u><u>13,351</u></u>	<u><u>17,979</u></u>
Basic and diluted earnings per share (RMB)	12	<u><u>0.0029</u></u>	<u><u>0.0074</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME***For the year ended 31 December 2015*

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>13,351</u>	<u>17,979</u>
Other comprehensive income for the year (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of a subsidiary	145	–
Exchange difference on translation of financial statements of overseas operations	<u>19,108</u>	<u>291</u>
Total comprehensive income for the year	<u><u>32,604</u></u>	<u><u>18,270</u></u>
Attributable to:		
Equity shareholders of the Company	26,681	11,762
Non-controlling interests	<u>5,923</u>	<u>6,508</u>
Total comprehensive income for the year	<u><u>32,604</u></u>	<u><u>18,270</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	13	3,140	1,819
Intangible assets	14	2,815	2,815
Goodwill	16	213,646	19,541
Available-for-sale securities	17	52,689	49,788
Pledged bank deposits	22	3,054	734
Deferred tax assets	26	<u>380</u>	<u>346</u>
		<u>275,724</u>	<u>75,043</u>
Current assets			
Inventories	18	954	1,239
Trade and other receivables	19	199,521	192,434
Amounts due from non-controlling interests	20	–	393
Trading securities	21	118,031	70,136
Cash and cash equivalents	22	<u>81,803</u>	<u>57,501</u>
		<u>400,309</u>	<u>321,703</u>
Current liabilities			
Trade and other payables	23	100,162	51,230
Promissory notes	24	42,147	–
Borrowings	25	6,317	11,321
Current taxation	7	<u>3,746</u>	<u>4,279</u>
		<u>152,372</u>	<u>66,830</u>
Net current assets		<u>247,937</u>	<u>254,873</u>
Total assets less current liabilities		<u>523,661</u>	<u>329,916</u>

		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities	26	<u>46</u>	<u>–</u>
		<u>46</u>	<u>–</u>
Net assets		<u>523,615</u>	<u>329,916</u>
Capital and reserves			
Share capital	27(a)	24,414	18,194
Reserves	27(b)	<u>421,123</u>	<u>239,567</u>
Total equity attributable to equity shareholders of the Company		445,537	257,761
Non-controlling interests		<u>78,078</u>	<u>72,155</u>
Total equity		<u><u>523,615</u></u>	<u><u>329,916</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company								Total equity RMB'000
	Share capital	Share premium	Other reserve	PRC statutory reserve	Exchange reserve	(Accumulated losses)/ Retained profits	Total	Non-controlling interests	
	RMB'000 27(a)	RMB'000 27(b)(i)	RMB'000	RMB'000 27(b)(ii)	RMB'000 27(b)(iii)	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014	13,109	128,032	(8,440)	2,959	101	(11,009)	124,752	65,647	190,399
Change in equity for 2014									
Profit for the year	-	-	-	-	-	11,472	11,472	6,507	17,979
Other comprehensive income	-	-	-	-	290	-	290	1	291
Total comprehensive income for the year	-	-	-	-	290	11,472	11,762	6,508	18,270
Shares issued	5,085	119,247	-	-	-	-	124,332	-	124,332
Shares issue expenses	-	(3,085)	-	-	-	-	(3,085)	-	(3,085)
Transfer from retained profits	-	-	-	303	-	(303)	-	-	-
Balance at 31 December 2014 and 1 January 2015	18,194	244,194	(8,440)	3,262	391	160	257,761	72,155	329,916
Change in equity for 2015									
Profit for the year	-	-	-	-	-	7,436	7,436	5,915	13,351
Other comprehensive income	-	-	-	-	19,245	-	19,245	8	19,253
Total comprehensive income for the year	-	-	-	-	19,245	7,436	26,681	5,923	32,604
Shares issued by way of placing	3,804	91,303	-	-	-	-	95,107	-	95,107
Shares issue expenses	-	(2,860)	-	-	-	-	(2,860)	-	(2,860)
Transfer from retained profits	-	-	-	231	-	(231)	-	-	-
Shares issued as consideration of acquisition of subsidiaries	2,416	66,432	-	-	-	-	68,848	-	68,848
Balance at 31 December 2015	24,414	399,069	(8,440)	3,493	19,636	7,365	445,537	78,078	523,615

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Operating activities			
Profit before taxation		16,392	21,722
Adjustments for:			
– Depreciation		1,651	1,167
– Amortisation of intangible assets		–	1,332
– Impairment loss on trade receivables		73	–
– Impairment loss on loan receivables		110	–
– Interest income		(71)	(63)
– Net (gain)/losses on disposal of property, plant and equipment		(193)	40
– Net exchange losses		254	–
– Gain on bargain purchase		(348)	–
– Gain on disposal of a subsidiary		(1,361)	–
– Finance costs		2,600	868
– Loss on early redemption of promissory notes		3,950	–
Changes in working capital:			
Decrease in inventories		285	–
Increase in trading securities		(41,957)	(41,346)
Increase in amounts due from non-controlling interests		393	(393)
Decrease/(increase) in trade and other receivables		7,049	(73,157)
Increase in trade and other payables		<u>45,763</u>	<u>26,807</u>
Cash generated from/(used in) operations		34,590	(63,023)
PRC income taxes paid		<u>(4,950)</u>	<u>(4,433)</u>
Net cash generated from/(used in) operating activities		<u>29,640</u>	<u>(67,456)</u>

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Investing activities			
Acquisition of property, plant and equipment		(2,392)	(849)
Acquisition of subsidiaries		447	–
Payment for purchase of available-for-sale securities		–	(49,788)
Proceeds from disposal of property, plant and equipment		293	2
Increase in pledged bank deposits		(2,320)	(734)
Interest received		<u>71</u>	<u>63</u>
Net cash used in investing activities		<u>(3,901)</u>	<u>(51,306)</u>
Financing activities			
Proceeds from new borrowings		4,000	20,190
Repayment of borrowings		(10,710)	(14,000)
Repayment of finance leases		(283)	–
Repayment of promissory notes		(88,713)	–
Finance costs paid		(693)	(804)
Proceeds from issue of new shares		95,107	124,332
Payment of transaction costs on issue of new shares		<u>(2,860)</u>	<u>(3,085)</u>
Net cash (used in)/generated from financing activities		<u>(4,152)</u>	<u>126,633</u>
Net increase in cash and cash equivalents		21,587	7,871
Cash and cash equivalents at 1 January		57,501	49,337
Effect of foreign exchange rate changes		<u>2,715</u>	<u>293</u>
Cash and cash equivalents at 31 December	22	<u><u>81,803</u></u>	<u><u>57,501</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. Significant accounting policies

Enterprise Development Holdings Limited (“the Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 January 2007.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the “Group”) is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi (RMB), and rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as trading securities (see note 1(f)) are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) *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:

- Amendments to IAS 19, *Defined benefit plans: Employee contributions*
- Amendments to IFRSs, *Annual Improvements to IFRSs 2010-2012 Cycle*
- Amendments to IFRSs, *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not have defined benefit plans.

Amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related Party Disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the group’s related party disclosures as the group does not obtain key management personnel services from management entities.

(d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (*see note 1(j)*).

(e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (*see note 1(j)*).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(v) and 1(s)(vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (*see note 1(j)*). Dividend income from equity securities using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(s)(v) and 1(s)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

(g) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (*see note 1(j)*):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- | | |
|---|------------|
| – Machinery, equipment and tools | 5-20 years |
| – Motor vehicles and other fixed assets | 3-8 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for the customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Firewall patents	10 years
– Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) *Impairment of assets*

(i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, impairment loss is determined and recognised as follows:

- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (*see note 1(j)*), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

- (i) Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(iii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customers; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(iv) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of operations outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) *Related parties*

For the purposes of the consolidated financial statements:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors ("Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. Accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation at the end of each reporting period.

(b) *Impairment losses on trade and other receivables*

As explained in note 32(a), impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(c) *Deferred tax assets*

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) *Impairment for non-current assets*

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Turnover and segment reporting

(a) Turnover

The principal activities of the Group are the provision of integrated business software solutions, trading of listed securities and mobile marketing business (*note 3(b)*). The amount of each significant category of revenue recognised during the year is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Software maintenance and other services	336,401	305,018
Sale of software products and others	27,676	9,923
Net realised and unrealised gains		
on trading securities	43,219	18,444
Mobile marketing services	12,407	–
Others	<u>3</u>	<u>–</u>
	<u><u>419,706</u></u>	<u><u>333,385</u></u>

(b) 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 the following three major reportable segments. No operating segments have been aggregated to form the following major reportable segments.

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading securities listed on the Stock Exchange.
- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong.

The Group had a new segment – mobile marketing business for the year ended 31 December 2015 upon the completion of the acquisition of Gravitas Group Limited on 14 May 2015.

(i) 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 profit is “adjusted profit before taxation”. To arrive at adjusted profit before taxation, the Group’s earnings are adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: Nil).

Information regarding the Group's major reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2015 and 2014 is set out below.

	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue/(loss) from external customers	364,077	314,941	(14,364)	16,871	12,407	-	3	-	362,123	331,812
Investment income	-	-	57,583	1,573	-	-	-	-	57,583	1,573
Reportable segment revenue	364,077	314,941	43,219	18,444	12,407	-	3	-	419,706	333,385
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	17,860	19,827	42,620	17,972	842	-	(202)	-	61,120	37,799
Interest income from bank deposits	71	63	-	-	-	-	-	-	71	63
Interest expense	644	714	28	96	91	-	-	-	763	810
Depreciation and amortisation for the year	1,003	2,338	-	-	559	-	8	-	1,570	2,338
Reportable segment assets	284,091	234,439	122,903	70,144	207,783	-	321	-	615,098	304,583
Additions to non-current segment assets during the year	528	675	-	-	1,641	-	-	-	2,169	675
Reportable segment liabilities	90,825	56,043	-	-	4,591	-	5	-	95,421	56,043

(ii) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>419,706</u>	<u>333,385</u>
Profit before taxation		
Reportable segment profit	61,120	37,799
Unallocated head office and corporate expenses	<u>(44,728)</u>	<u>(16,077)</u>
Consolidated profit before taxation	<u><u>16,392</u></u>	<u><u>21,722</u></u>
Assets		
Reportable segment assets	615,098	304,583
Deferred tax assets	380	346
Unallocated head office and corporate assets	<u>60,555</u>	<u>91,817</u>
Consolidated total assets	<u><u>676,033</u></u>	<u><u>396,746</u></u>
Liabilities		
Reportable segment liabilities	95,421	56,043
Deferred tax liabilities	46	–
Unallocated head office and corporate liabilities	<u>56,951</u>	<u>10,787</u>
Consolidated total liabilities	<u><u>152,418</u></u>	<u><u>66,830</u></u>

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue from		Specified	
	external customers		non-current assets	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	364,077	314,941	23,396	23,851
Hong Kong	<u>55,629</u>	<u>18,444</u>	<u>196,205</u>	<u>324</u>
	<u>419,706</u>	<u>333,385</u>	<u>219,601</u>	<u>24,175</u>

For the year ended 31 December 2015, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2014: Nil).

4. Other revenue

	2015	2014
	RMB'000	RMB'000
Interest income from bank deposits	71	63
Gain on bargain purchase	348	–
Gain on disposal of property, plant and equipment	193	–
Gain on disposal of a subsidiary (<i>note 28(b)</i>)	1,361	–
Other	<u>514</u>	<u>3</u>
	<u>2,487</u>	<u>66</u>

5. Other net losses

	2015 RMB'000	2014 RMB'000
Net exchange losses	254	–
Loss on early redemption of promissory notes	<u>3,950</u>	<u>–</u>
	<u><u>4,204</u></u>	<u><u>–</u></u>

6. Profit before taxation

Profit before taxation is arrived at after charging:

(i) Finance costs

	2015 RMB'000	2014 RMB'000
Interest expenses on borrowings	758	810
Finance charges on obligations under finance leases	5	–
Imputed interest expenses on promissory notes	<u>1,837</u>	<u>58</u>
	<u><u>2,600</u></u>	<u><u>868</u></u>

(ii) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	38,988	25,451
Contributions to defined contribution retirement schemes (note 30)	<u>4,028</u>	<u>2,470</u>
	<u><u>43,016</u></u>	<u><u>27,921</u></u>

(iii) Other items

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories (<i>note 18</i>)	12,725	8,105
Auditors' remuneration – audit services	722	713
– non-audit services	1,083	792
Depreciation	1,651	1,167
Amortisation of intangible assets	–	1,332
Impairment loss on trade receivable	73	–
Impairment loss on loan receivable	110	–
Net exchange losses	254	–
Loss on early redemption of promissory notes	3,950	–
Operating lease charges in respect of properties	2,909	5,054
Net losses on disposal of property, plant and equipment	<u>–</u>	<u>40</u>

7. Income tax expense*(i) Income tax expense in the consolidated statement of profit or loss represents:*

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC		
– Provision for the year	(3,289)	(3,661)
– Over-provision/(under-provision) in respect of prior year	<u>104</u>	<u>(82)</u>
	<u>(3,185)</u>	<u>(3,743)</u>
Current tax – HK		
– Provision for the year	(73)	–
– Over-provision in respect of prior year	<u>165</u>	<u>–</u>
	<u>92</u>	<u>–</u>
Deferred tax		
– Origination and reversal of temporary difference (<i>note 26</i>)	<u>52</u>	<u>–</u>
	<u>52</u>	<u>–</u>
	<u>(3,041)</u>	<u>(3,743)</u>

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.

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 2015 and 2014 as it was awarded high-technology status by the tax authority.

The provision for Hong Kong Profits Tax for the year ended 31 December 2015 is calculated at 16.5% of the estimated assessable profit for the year.

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong for the year ended 31 December 2014.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2015 and 2014.

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2015 RMB'000	2014 RMB'000
Profit before taxation	<u>16,392</u>	<u>21,722</u>
Notional tax on profit before taxation, calculated at rate applicable to the Group's profit in the tax jurisdiction concerned (2015 and 2014: 25%)	(4,098)	(5,431)
Tax effect of different tax rates of operations in other jurisdictions	(125)	145
Effect of non-deductible expenses	(7,688)	(2,974)
Effect of non-taxable income	14,248	3,035
Effect of tax loss not recognised	(7,450)	–
Effect of tax concessions	1,803	1,564
Over-provision/(under-provision) in respect of prior years	<u>269</u>	<u>(82)</u>
Actual tax expense	<u>(3,041)</u>	<u>(3,743)</u>

(iii) Taxation in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
At 1 January	4,279	4,969
Acquisition of subsidiaries	1,244	–
Provision for income tax for the year	3,093	3,743
Amounts paid	(4,950)	(4,433)
Exchange adjustments	<u>80</u>	<u>–</u>
At 31 December	<u><u>3,746</u></u>	<u><u>4,279</u></u>

8. Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2015 Total RMB'000
Chairman				
Mr. Lam Kai Tai (note (h))	–	213	8	221
Mr. Jia Bowei (note (i))	–	1,590	8	1,598
Executive directors				
Mr. Kwok Ho On Anthony (note (j))	–	127	6	133
Mr. Wong Ho Sing (note (g))	–	124	6	130
Mr. Lam Kwan Sing (note (f))	–	402	6	408
Mr. Wang Jun	–	521	15	536
Independent non-executive directors				
Mr. Liu Kam Lung (note (e))	179	–	–	179
Ms. Hu Gin Ing	192	–	–	192
Mr. Yau Yan Ming Raymond (note (c))	192	–	–	192
Mr. Zhang Xiaoman (note (d))	<u>24</u>	<u>–</u>	<u>–</u>	<u>24</u>
Total	<u><u>587</u></u>	<u><u>2,977</u></u>	<u><u>49</u></u>	<u><u>3,613</u></u>

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2014 Total RMB'000
Chairman				
Mr. Jia Bowei (<i>note (i)</i>)	–	2,971	13	2,984
Executive directors				
Mr. King Pak Fu (<i>note (a)</i>)	–	40	1	41
Mr. Lam Kwan Sing	–	975	13	988
Mr. Wang Jun	–	483	9	492
Independent non-executive directors				
Mr. Lam Ting Lok (<i>note (b)</i>)	155	–	–	155
Ms. Hu Gin Ing	190	–	–	190
Mr. Yau Yan Ming Raymond (<i>note (c)</i>)	48	–	–	48
Mr. Zhang Xiaoman (<i>note (d)</i>)	190	–	–	190
Total	583	4,469	36	5,088

Notes:

- (a) Mr. King Pak Fu resigned as an executive director on 24 January 2014.
- (b) Mr. Lam Ting Lok resigned as an independent non-executive director on 6 October 2014.
- (c) Mr. Yau Yan Ming Raymond was appointed as an independent non-executive director on 6 October 2014.
- (d) Mr. Zhang Xiaoman resigned as an independent non-executive director on 28 January 2015.
- (e) Mr. Liu Kam Lung was appointed as an independent non-executive director on 28 January 2015.
- (f) Mr. Lam Kwan Sing resigned as an executive director with effect from 1 June 2015.
- (g) Mr. Wong Ho Sing was appointed as an executive director with effect from 1 June 2015.
- (h) Mr. Lam Kai Tai was appointed as an executive director with effect from 1 June 2015 and appointed as chairman of the Board on 3 July 2015.
- (i) Mr. Jia Bowei resigned as an executive director and chairman of the Board on 3 July 2015.
- (j) Mr. Kwok Ho On Anthony was appointed as an executive directors on 24 July 2015.

There were no amounts paid during the year (2014: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

9. Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2014: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2014: three) individuals are as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries, allowances and other benefits	3,261	2,200
Retirement scheme contributions	<u>116</u>	<u>45</u>
	<u><u>3,377</u></u>	<u><u>2,245</u></u>
Number of senior management	<u><u>4</u></u>	<u><u>3</u></u>

The emoluments of the four (2014: three) individuals with the highest emoluments are within the following bands:

	2015	2014
<i>HK\$</i>	<i>Number of</i>	<i>Number of</i>
	<i>individuals</i>	<i>individuals</i>
Nil – 1,000,000	2	3
1,000,001 – 1,500,000	<u><u>2</u></u>	<u><u>–</u></u>

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2014: Nil).

10. Profit for the year

The consolidated profit for the year attributable to equity shareholders of the Company includes a loss of approximately RMB56,537,000 (2014: RMB7,388,000) which has been dealt with in the financial statements of the Company.

11. Dividends

No dividend was paid or proposed in respect of the year ended 31 December 2015 (2014: Nil), nor has any dividend been proposed since the end of the reporting period.

12. Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB7,436,000 (2014: RMB11,472,000) and the weighted average of 2,557,030,597 (2014: 1,560,569,973) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
	<i>Number of shares</i>	<i>Number of shares</i>
Ordinary shares issued at 1 January	2,110,867,520	1,467,389,600
Effect of placing of new shares (<i>Note 27(a)(iii)</i>)	262,390,685	78,796,811
Shares issued as consideration of acquisition of subsidiaries (<i>Note 27(a)(ii)</i>)	183,772,392	–
Effect of subscription shares issued (<i>Note 27(a)(i)</i>)	<u>–</u>	<u>14,383,562</u>
Weighted average number of ordinary shares at 31 December	<u><u>2,557,030,597</u></u>	<u><u>1,560,569,973</u></u>

There were no dilutive potential ordinary shares in issue as at 31 December 2015 (2014: Nil).

13. Property, plant and equipment

	Machinery, equipment and tools RMB'000	Motor vehicles and other fixed assets RMB'000	Total RMB'000
Cost:			
At 1 January 2014	1,158	4,056	5,214
Exchange adjustments	1	1	2
Additions	689	160	849
Disposals	<u>(1,203)</u>	<u>–</u>	<u>(1,203)</u>
At 31 December 2014 and 1 January 2015	645	4,217	4,862
Exchange adjustments	51	78	129
Acquisition of subsidiaries	460	247	707
Additions	401	1,991	2,392
Disposals	(227)	(254)	(481)
Disposal of a subsidiary	<u>(176)</u>	<u>–</u>	<u>(176)</u>
At 31 December 2015	<u>1,154</u>	<u>6,279</u>	<u>7,433</u>
Accumulated depreciation:			
At 1 January 2014	(1,105)	(1,932)	(3,037)
Charge for the year	(374)	(793)	(1,167)
Written back on disposals	<u>1,161</u>	<u>–</u>	<u>1,161</u>
At 31 December 2014 and 1 January 2015	(318)	(2,725)	(3,043)
Exchange adjustments	(17)	(17)	(34)
Charge for the year	(533)	(1,118)	(1,651)
Written back on disposals	217	164	381
Disposal of a subsidiary	<u>54</u>	<u>–</u>	<u>54</u>
At 31 December 2015	<u>(597)</u>	<u>(3,696)</u>	<u>(4,293)</u>
Net book value:			
At 31 December 2015	<u>557</u>	<u>2,583</u>	<u>3,140</u>
At 31 December 2014	<u>327</u>	<u>1,492</u>	<u>1,819</u>

14. Intangible assets

	Customer relationships <i>RMB'000</i>	Customer contracts <i>RMB'000</i>	Trade marks <i>RMB'000</i>	Firewall patents <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>7,262</u>	<u>3,015</u>	<u>2,815</u>	<u>665</u>	<u>13,757</u>
Accumulated amortisation:					
At 1 January 2014	(5,930)	(3,015)	–	(665)	(9,610)
Charge during the year	<u>(1,332)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,332)</u>
At 31 December 2014, 1 January 2015 and 31 December 2015	<u>(7,262)</u>	<u>(3,015)</u>	<u>–</u>	<u>(665)</u>	<u>(10,942)</u>
Net book value:					
At 31 December 2015	<u>–</u>	<u>–</u>	<u>2,815</u>	<u>–</u>	<u>2,815</u>
At 31 December 2014	<u>–</u>	<u>–</u>	<u>2,815</u>	<u>–</u>	<u>2,815</u>

The amortisation charge for the year ended 31 December 2014 is included in “cost of sales” in the consolidated statement of profit or loss.

Trademarks

The valuation of the trademarks is based on the relief-from-royalty method and uses cash flow projections based on financial estimates covering a five-year period, the expected sales deriving from the trademarks in the software business and a discount rate of 23.9% (2014: 23.1%). The cash flows beyond the five-year period are extrapolated using a steady 3% (2014: 3%) growth rate. Management has considered the above assumptions and valuation and also taken into account the business plan going forward.

During the year ended 31 December 2015 and 2014, management of the Group determined that there was no impairment of trademarks.

15. Investments in subsidiaries

The non-current amounts due from subsidiaries are unsecured, interest free and no fixed terms of repayments.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company		Particulars of issued share capital/paid up capital	Principal activities
		Direct %	Indirect %		
Winsino Investments Limited	British Virgin Islands ("BVI")	100%	–	1 share of USD1 each	Investment holding
Lofty Swan Investments Limited	BVI	100%	–	1 share of USD1 each	Investment holding
Apex Center Limited	BVI	100%	–	1 share of USD1 each	Investment holding
Gravitas Limited	HK	–	100%	100 shares of HKD1 each	Mobile marketing projects and professional consultation services
Amaze Mobile Media Limited	HK	–	100%	100 shares of HKD1 each	Providing mobile advertising service, mobile advertising placement service, value added services
Amuse Mobile Asia Limited	HK	–	100%	100 shares of HKD1 each	Mobile games development and publishing business
Expert Access Limited	BVI	–	100%	1 share of USD1 each	Investment holding

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company		Particulars of issued share capital/paid up capital	Principal activities
		Direct %	Indirect %		
Easy Talent Limited ("Easy Talent")	Cayman Islands	-	60%	10 shares of USD1 each	Investment holding
Liang Hui Holdings Limited ("Liang Hui")	BVI	-	60%	1 share of USD1 each	Investment holding
Oriental LegendMaker Technology Ltd. ("OLM")	HK	-	60%	1 share of USD1 each	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") (Note (i) and (ii))	PRC	-	60%	RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") (Note (i) and (ii))	PRC	-	60%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") (Note (i) and (ii))	PRC	-	60%	RMB30,000,000	Provision of integrated business software solutions

Notes:

- (i) These entities are wholly foreign owned enterprises established in the PRC.
- (ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		Chengdu OLM		Shanghai OLM	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	40%	40%	40%	40%	40%	40%
Current assets	236,819	190,936	46,822	51,386	58,587	49,217
Non-current assets	36,581	34,652	13,843	13,878	300	453
Current liabilities	(137,352)	(106,199)	(4,441)	(9,999)	(28,187)	(20,280)
Net assets	136,047	119,389	56,224	55,265	30,700	29,390
Carrying amounts of NCI	54,419	47,755	22,490	22,106	12,280	11,756
Turnover	354,500	290,633	14,348	12,938	55,465	47,912
Profit for the year	16,658	13,082	960	1,247	1,310	1,946
Total comprehensive income	16,658	13,082	960	1,247	1,310	1,946
Profit allocated to NCI	6,663	5,233	384	499	524	779
Dividend paid to NCI	-	-	-	-	-	-
Cash flow from operating activities	42,379	(10,255)	90	(75)	6,749	(5,536)
Cash flows from investing activities	(3,433)	(327)	(37)	(278)	39	(50)
Cash flow from financing activities	-	-	-	-	(6,000)	6,000

16. Goodwill

RMB'000

Cost:

At 1 January 2014, 31 December 2014 and 1 January 2015	19,541
Exchange adjustments	12,124
Acquisition of subsidiaries (<i>note 28</i>)	<u>181,981</u>
At 31 December 2015	<u><u>213,646</u></u>

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

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

	2015	2014
	<i>RMB’000</i>	<i>RMB’000</i>
Software business – PRC	19,541	19,541
Mobile marketing business – HK	<u>194,105</u>	<u>–</u>
	<u><u>213,646</u></u>	<u><u>19,541</u></u>

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% (2014:3%). 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 23.8% (2013:22.4%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Mobile marketing business – HK

On 14 May 2014, the Group entered into a sales and purchase agreement with two individual third parties, namely Gloss Rise Limited and Mr. Chu Wai Kit, acquiring the entire equity interests in Gravitas Group Limited and its subsidiaries (“Gravitas Group”), resulting a goodwill of approximately RMB181,981,000 for the acquisition. The directors of the Company in the view that the Gravitas Group act as an important marketing strategy in penetrating the mobile marketing business.

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%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 18.59%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2015 and 2014, the management of the Group determined that there was no impairment of goodwill.

17. Available-for-sale securities

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity securities, at cost	49,738	49,738
Exchange adjustment	<u>2,951</u>	<u>50</u>
	<u><u>52,689</u></u>	<u><u>49,788</u></u>

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

18. Inventories

Inventories in the consolidated statement of financial position comprise:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Standard software	949	1,234
Low value consumables	<u>5</u>	<u>5</u>
	<u><u>954</u></u>	<u><u>1,239</u></u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold recognised in cost of sales	<u><u>12,725</u></u>	<u><u>8,105</u></u>

19. Trade and Other Receivables

	Notes	2015 RMB'000	2014 RMB'000
Trade receivables			
Less: allowance for doubtful debts	(iii)	92,408	84,054
	(i)	<u>(124)</u>	<u>—</u>
		<u>92,284</u>	<u>84,054</u>
Loan receivables		2,038	—
Less: allowance for doubtful debts		<u>(1,870)</u>	<u>—</u>
	(iv)	<u>168</u>	<u>—</u>
Prepayments made to suppliers	(v)	95,627	86,357
Deposits and other receivables		<u>11,442</u>	<u>22,023</u>
		<u>199,521</u>	<u>192,434</u>

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

- (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 debts, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 month	63,016	52,936
Over 1 month but less than 3 months	13,633	13,357
Over 3 months but less than 1 year	7,212	16,914
Over 1 year but less than 2 years	7,594	712
Over 2 years	<u>829</u>	<u>135</u>
	<u>92,284</u>	<u>84,054</u>

- (ii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	<u>64,229</u>	<u>67,309</u>
Less than 1 month past due	14,148	196
Over 1 to 3 months past due	1,122	14,272
Over 3 months to 1 year past due	6,713	2,099
Over 1 year to 2 years past due	5,876	6
Over 2 years past due	<u>196</u>	<u>172</u>
	<u>28,055</u>	<u>16,745</u>
	<u>92,284</u>	<u>84,054</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (iii) The movement in the allowance for doubtful debts of trade debtors during the year, including both specific and collective loss components, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	–
Exchange adjustments	4	–
Acquisition of subsidiaries	47	–
Impairment loss recognised	<u>73</u>	<u>–</u>
At 31 December	<u>124</u>	<u>–</u>

As at 31 December 2015, trade receivables of the Group amounting to approximately RMB124,000 (2014: Nil) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB124,000 were recognised.

(iv) Loan receivables

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 allowance for doubtful debts, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	168	–
Over 1 year but less than 2 years	–	–
Over 2 years	–	–
	<u>168</u>	<u>–</u>

The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	<u>168</u>	<u>–</u>

The movement in the allowance for doubtful debts of loan receivables during the year, including both specific and collective loss components, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	–
Exchange adjustments	50	–
Acquisition of subsidiaries	1,710	–
Impairment loss recognised	<u>110</u>	<u>–</u>
At 31 December	<u><u>1,870</u></u>	<u><u>–</u></u>

As at 31 December 2015, loan receivables of the Group amounting to approximately RMB1,870,000 (2014: Nil) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB1,870,000 were recognised.

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

20. Amounts Due from Non-controlling Interests

The amounts due are trade in nature, unsecured, interest-free and receivables within 1 month based on invoice date.

21. Trading Securities

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity securities at fair value		
– in Hong Kong	<u><u>118,031</u></u>	<u><u>70,136</u></u>

Details of the equity investee of which the carrying amount exceeds 10% of the total assets of the Group at 31 December 2015 were as follows:

Name of Company	Place of incorporation	Class of shares held	Proportion of the nominal value issued ordinary shares held by the Group
China Innovative Finance Group Limited	Bermuda	Ordinary shares	0.8%

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

22. Cash and Cash Equivalents and Pledged Bank Deposits

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

	2015 RMB'000	2014 RMB'000
Cash on hand	63	80
Deposits on demand	<u>84,794</u>	<u>58,155</u>
Cash and bank deposits (note (a))	<u>84,857</u>	<u>58,235</u>
Pledged bank deposits (note (b))	<u>(3,054)</u>	<u>(734)</u>
Cash and cash equivalents in the balance sheet	<u>81,803</u>	<u>57,501</u>

(a) Included in cash and bank deposits were approximately RMB70,081,000 (2014: approximately RMB30,372,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(b) At 31 December 2015, the bank deposits were pledged to secure trade finance facilities to the Group, have a maturity period more than one year and are therefore classified as non-current assets.

23. Trade and Other Payables

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade creditors	49,351	34,632
Non-trade payables and accrued expenses	50,488	13,732
Other tax payable	<u>323</u>	<u>2,866</u>
	<u><u>100,162</u></u>	<u><u>51,230</u></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:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Due within 1 month or on demand	43,640	797
Due after 1 month but within 3 months	4,354	33,487
Due after 3 months but within 6 months	1,010	90
Due after 6 months but within 1 year	11	246
Due after 1 year but within 2 years	9	–
Over 2 years	<u>327</u>	<u>12</u>
	<u><u>49,351</u></u>	<u><u>34,632</u></u>

24. Promissory Notes

In connection with the acquisition of Gravitax Group, the Company issued an interest-bearing promissory notes at 6% interest rate per annum with 3 years maturity from the date of issue, with a principal amount of HK\$160,000,000 to Gloss Rise Limited.

The promissory notes were fair value at initial recognition with an effective interest rate of 7.5% per annum.

Interest charged on promissory notes is calculated using the effective interest method by applying interest rate of 7.5% per annum to the liability.

The movement of promissory notes during the year are as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	–
Exchange adjustments	4,380	–
Issued for the acquisition of subsidiaries (<i>note 28</i>)	120,693	–
Imputed interest	1,837	–
Redemption	(88,713)	–
Loss on early redemption of promissory notes	<u>3,950</u>	<u>–</u>
At 31 December	<u><u>42,147</u></u>	<u><u>–</u></u>

The directors of the Company expect the promissory notes to be redeemed within 12 months and therefore classified as current liabilities.

25. Borrowings

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured borrowings (<i>note (a)</i>)	1,398	1,321
Secured bank loans (<i>note (b)</i>)	<u>4,919</u>	<u>10,000</u>
	<u><u>6,317</u></u>	<u><u>11,321</u></u>

(a) Unsecured borrowings

At 31 December 2015, the unsecured borrowing bears interest at 5% (2014: 5%) per annum.

(b) Secured bank loans

At 31 December 2015, the secured bank loans were repayable as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	<u><u>4,919</u></u>	<u><u>10,000</u></u>

At 31 December 2015, the secured bank loan of RMB4,000,000 of the Group bears interest from 5.68% to 6.43% (2014: 7%) per annum and secured by corporate guarantee of a PRC subsidiary.

At 31 December 2015, the secured bank loan of approximately RMB485,000 of the Group bears interest from 4.56% per annum and secured by personal guarantee provided by certain directors of a Hong Kong subsidiary.

At 31 December 2015, the secured bank loan of approximately RMB434,000 of the Group bears interest from 6.4% per annum and secured by personal guarantee provided by certain directors of a Hong Kong subsidiary.

All borrowings are repayable within one year or on demand.

26. Deferred Taxation

(a) *Deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation RMB'000	Write-down of inventory RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2014,				
31 December 2014	–	346	–	346
Exchange adjustments	(4)	–	1	(3)
Acquisition of a subsidiary	(61)	–	–	(61)
Credited to profit or loss	19	–	33	52
	<u>19</u>	<u>–</u>	<u>33</u>	<u>52</u>
At 31 December 2015	<u>(46)</u>	<u>346</u>	<u>34</u>	<u>334</u>

Reconciliation to the consolidated statement of financial position

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax asset recognised in the consolidated statement of financial position	380	346
Net deferred tax liability recognised in the consolidated statement of financial position	<u>(46)</u>	<u>–</u>
	<u><u>334</u></u>	<u><u>346</u></u>

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB25,561,000 (2014: RMB16,241,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2015, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB34,600,000 (2014: RMB23,409,000). Deferred tax liabilities of approximately RMB1,730,000 (2014: RMB1,170,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27. Share Capital and Reserves

(a) Share capital

	Notes	2015		2014	
		Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:					
At 1 January		3,000,000,000	30,000,000	3,000,000,000	30,000,000
Increase on 6 August 2015	(iv)	<u>97,000,000,000</u>	<u>970,000,000</u>	<u>-</u>	<u>-</u>
Ordinary shares of HK\$0.01 each		<u>100,000,000,000</u>	<u>1,000,000,000</u>	<u>3,000,000,000</u>	<u>30,000,000</u>
Issued and fully paid:					
At 1 January		2,110,867,520	21,108,675	1,467,389,600	14,673,896
Issue of subscription shares	(i)	-	-	350,000,000	3,500,000
Issue of consideration shares for the acquisition of subsidiaries	(ii)	307,692,307	3,076,923	-	-
Issue of placing shares	(iii)	<u>483,700,000</u>	<u>4,837,000</u>	<u>293,477,920</u>	<u>2,934,779</u>
At 31 December		<u>2,902,259,827</u>	<u>29,022,598</u>	<u>2,110,867,520</u>	<u>21,108,675</u>
			<i>RMB equivalent</i>		<i>RMB equivalent</i>
			24,413,823		18,193,831

(i) Issue of subscription shares

Pursuant to a subscription agreement dated on 21 October 2014, a total of 350,000,000 ordinary shares of HK\$0.01 each were issued at the price of HK\$0.25 per subscription share. The issue of subscription shares has resulted in an increase in the share capital and share premium account by HK\$3,500,000 (equivalent to approximately RMB2,762,200) and HK\$84,000,000 (equivalent to approximately RMB66,292,800) respectively.

(ii) Issue of consideration shares

Pursuant to an acquisition agreement dated on 16 February 2015, the Group has agreed to issue 307,692,307 ordinary shares of HK\$0.01 each with agreed price at HK\$0.13 per share as consideration shares for acquiring 20% of interest in Gravitas Group Limited from Mr. Chu Wai Kit. Upon completion of the acquisition on 14 May 2015, the consideration shares were issued and recorded at HK\$0.285 per share with reference to the market price as of that date, the issue of shares has resulted an increase in the share capital and share premium by approximately HK\$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK\$84,615,000 (equivalent to approximately RMB66,432,000) respectively.

(iii) Issue of placing shares

Pursuant to a placing agreement dated on 28 May 2015, a total of 483,700,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.25 per placing share (the “Placing”). The Placing has resulted in an increase in the share capital and share premium account by HK\$4,837,000 (equivalent to approximately RMB3,804,000) and HK\$116,088,000 (equivalent to approximately RMB91,303,000) respectively.

Pursuant to a placing agreement dated on 5 September 2014, a total of 293,477,920 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.238 per placing share (the “Placing”). The Placing has resulted in an increase in the share capital and share premium account by HK\$2,934,779 (equivalent to approximately RMB2,322,585) and HK\$66,912,966 (equivalent to approximately RMB52,954,921) respectively.

(iv) Increase in authorised share capital

On 6 August 2015, the Company passed an ordinary resolution to increase its authorised share capital from HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each to HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 97,000,000,000 unissued ordinary shares.

(b) Nature and purpose of reserves*(i) Share premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2015, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. Acquisition and disposal of subsidiaries

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

(a) Acquisition of subsidiaries

Acquisition of Gravitas Group

On 14 May 2015, the Group acquired the entire equity interest in Gravitas Group from Gloss Rise Limited and Mr. Chu Wai Kit at a consideration of HK\$200,000,000, which was satisfied HK\$160,000,000 by the issue of the promissory notes by the Company to Gloss Rise Limited and HK\$40,000,000 by the issue of 307,692,307 consideration shares at the issue price of HK\$0.13 per share by the Company to Mr. Chu Wai Kit. The acquisition has been completed on the same day. The fair value of shares issued as consideration was HK\$0.285 per share, the issue of shares has resulted in an increase in the share capital and share premium account by approximately HK\$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK\$84,615,000 (equivalent to approximately RMB66,432,000).

Acquisition-related costs amounting to approximately RMB2,225,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2015, within “general and administrative expenses” line item consolidated statement of profit or loss.

Identifiable assets acquired and liabilities assumed

	<i>RMB'000</i>
Property, plant and equipment	660
Trade and other receivables	14,168
Cash and cash equivalents	441
Trade and other payables	(4,593)
Borrowings	(1,528)
Obligation under finance lease	(283)
Tax payable (<i>note 7(iii)</i>)	(1,244)
Deferred tax liabilities (<i>note 26(a)</i>)	<u>(61)</u>
Total identifiable net assets	<u>7,560</u>
<i>Add: promissory notes issued (note 24)</i>	120,693
<i>Add: consideration shares</i>	68,848
<i>Less: net identifiable assets acquired and liabilities assumed</i>	<u>(7,560)</u>
Goodwill (<i>note 16</i>)	<u>181,981</u>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u>441</u>

Included in the profit for the year is approximately RMB993,000 profit attributable to the additional business generated by Gravitass Group. Revenue for the year includes approximately RMB12,407,000 generated by Gravitass Group.

Had the acquisition been completed on 1 January 2015, total Group's revenue for the year would have been approximately RMB428,405,000 and profit for the year would have been approximately RMB16,210,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

Acquisition of Talent Grand Investments Limited and its subsidiary (the “Talent Grand Group”)

On 12 October 2015, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Talent Grand Group at a consideration of HK\$1. Gain on bargain purchase arising as a result of the acquisition was approximately HK\$427,000 (equivalent to approximately RMB348,000). The acquisition has been completed on the same day.

Identifiable assets acquired and liabilities assumed

	<i>RMB'000</i>
Property, plant and equipment	47
Trade and other receivables	295
Cash and cash equivalents	<u>6</u>
 Total identifiable net assets	 <u>348</u>
 <i>Add:</i> Cash consideration	 –
<i>Less:</i> net identifiable assets acquired	<u>(348)</u>
 Gain on bargain purchase (<i>note 4</i>)	 <u>(348)</u>
 Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u><u>6</u></u>

Included in the profit for the year is approximately RMB202,000 loss attributable to the additional business generated by Talent Grand Group. Revenue for the year includes approximately RMB3,000 generated by Talent Grand Group.

Had the acquisition been completed on 1 January 2015, total Group's revenue for the year would have been approximately RMB419,722,000 and profit for the year would have been approximately RMB16,186,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) Disposal of a subsidiary

On 10 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interests in Wealth Vantage Investments Limited, a direct wholly-owned subsidiary, for a cash consideration of HK\$1. Gain on disposal of a subsidiary arising as a result of the disposal was approximately HK\$1,520,000 (equivalent to approximately RMB1,216,000). The disposal has been completed on the same day.

Net liabilities disposed

	<i>RMB'000</i>
Property, plant and equipment	122
Trade and other receivables	1,221
Trade and other payables	<u>(2,559)</u>
	(1,216)
Release of exchange reserve	<u>(145)</u>
	(1,361)
Gain on disposal of a subsidiary (<i>note 4</i>)	<u>1,361</u>
Total consideration received	<u><u>–</u></u>

29. Commitments**(i) Capital commitments**

The Group has no significant capital commitment as at 31 December 2015 and 2014.

(ii) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases at the end of the reporting period are payables as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Less than one year	3,746	4,223
Between one and two years	807	1,997
Between two and three years	<u>717</u>	<u>–</u>
	<u><u>5,270</u></u>	<u><u>6,220</u></u>

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

30. Retirement benefits

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	Beneficiary	Contribution rate
Beijing Municipal Government	Employees of Beijing OLM	20%
Shanghai Municipal Government	Employees of Shanghai OLM	20.5%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	22%
Hangzhou Municipal Government, Zhejiang Province	Employees of Beijing OLM Hangzhou Branch	14%
Guangzhou Municipal Government, Guangdong Province	Employees of Beijing OLM Guangzhou Branch	14%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group also operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

31. Related party transactions

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

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Non-controlling interests		
– Provision for software maintenance and other services	<u>767</u>	<u>1,344</u>

(b) ***Remuneration to key management personnel***

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

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	8,175	8,590
Post-employment benefits	<u>204</u>	<u>166</u>
	<u>8,379</u>	<u>8,756</u>

(c) Contribution to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 30. As at 31 December 2015, there was no material outstanding contribution to post-employment benefit plans (2014: Nil).

32. Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, prepayments made to suppliers and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of software business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

At the end of each reporting period, the Group has no significant concentrations of credit risk with any of its customers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 46% (2014: 45%) and 48% (2014: 45%) of the trade and other receivable were prepayments made to the Group's largest supplier and the five largest suppliers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) *Liquidity risk*

The individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative financial liabilities including estimated interest payments:

	2015				
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Non-derivative financial liabilities					
Borrowings	6,317	(6,677)	(6,677)	-	-
Promissory notes	42,147	(49,705)	(49,705)	-	-
Trade and other payables excluding advance from customers	74,347	(74,347)	(74,347)	-	-
	<u>122,811</u>	<u>(130,729)</u>	<u>(130,729)</u>	<u>-</u>	<u>-</u>
2014					
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Non-derivative financial liabilities					
Borrowings	11,321	(12,088)	(12,088)	-	-
Trade and other payables excluding advance from customers	51,021	(51,021)	(51,021)	-	-
	<u>62,342</u>	<u>(63,109)</u>	<u>(63,109)</u>	<u>-</u>	<u>-</u>

(c) Interest rate risk

Other than bank balances and pledged bank deposits with variable interest rate and loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits, loan receivables and borrowings, issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) *Interest rate profile*

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2015		2014	
	Effective		Effective	
	weighted		weighted	
	average		average	
	interest rates		interest rates	
	% (annual)	RMB'000	% (annual)	RMB'000
Fixed rate instruments				
Loan receivables	12.00	167	–	–
Borrowings – HK	4.56	(485)	–	–
Borrowings – HK	6.40	(434)	–	–
Borrowings – HK	<u>5.00</u>	<u>(1,398)</u>	<u>5.00</u>	<u>(1,321)</u>
Variable rate instruments				
Cash and cash equivalents	0.35	81,803	0.35	57,501
Pledged bank deposits	0.35	3,054	0.35	734
Borrowings – PRC	<u>5.68</u>	<u>(4,000)</u>	<u>7.00</u>	<u>(10,000)</u>

(ii) *Sensitivity analysis*

At the end of each reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB30,000 (2014: RMB75,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2014.

(d) Foreign currency risk

The Group's businesses are principally conducted in Renminbi and most of the Group's monetary assets and liabilities are denominated in Renminbi. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 21). All of these investments are listed.

At 31 December 2015, it is estimated that an increase/(decrease) of 5% in the relevant stock market index (for listed investments) as applicable, with all other variables held constant, would have increased/ decreased the Group's profit after tax and retained profits as follows:

	2015		2014	
	Effect on		Effect on	
	profit after		profit after	
	tax and		tax and	
	retained		retained	
	profits		profits	
	RMB'000		RMB'000	
Change in the relevant equity price risk variable:				
Increase	5%	5,902	5%	3,507
Decrease	(5%)	(5,902)	(5%)	(3,507)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2014.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

2015

	Fair value at 31 December				
	2015	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements					
Assets:					
Trading securities	118,031	118,031	-	-	118,031

	2014				
	Fair value at				
	2014	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements					
Assets:					
Trading securities	70,136	70,136	-	-	70,136

During the years ended 31 December 2014 and 2015, there were no significant transfers between in Level 1 and 2, or transfers into or out of Level 3 (2014: Nil.)

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

As detailed in the following table, the directors of the Company consider that the carrying amounts of financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

At 31 December 2015	Carrying	Fair value
	amounts	
	RMB'000	RMB'000
Financial liabilities:		
Promissory notes	42,147	41,624

33. Company-level statement of financial position and reserves

(a) Company-level statement of financial position

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Amounts due from subsidiaries		<u>397,574</u>	<u>198,955</u>
Current assets			
Deposits and other receivables		76	2,411
Cash and cash equivalents		<u>84</u>	<u>26,870</u>
		<u>160</u>	<u>29,281</u>
Non-current liabilities			
Amount due to a subsidiary		<u>1,430</u>	<u>–</u>
Current liabilities			
Other payables and accrued expenses		759	712
Promissory notes		<u>42,147</u>	<u>–</u>
		<u>42,906</u>	<u>712</u>
Net current (liabilities)/assets		<u>(42,746)</u>	<u>28,569</u>
Total assets less current liabilities		<u>354,828</u>	<u>227,524</u>
Net assets		<u>353,398</u>	<u>227,524</u>
Capital and reserves			
Share capital	<i>27(a)</i>	24,414	18,194
Reserves	<i>33(b)</i>	<u>328,984</u>	<u>209,330</u>
Total equity		<u>353,398</u>	<u>227,524</u>

(b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	128,032	(3,559)	(24,592)	99,881
Loss for the year (<i>note 10</i>)	-	-	(7,388)	(7,388)
Other comprehensive income	-	675	-	675
Total comprehensive income/ (expenses) for the year	-	675	(7,388)	(6,713)
Shares issued	119,247	-	-	119,247
Share issue expenses	(3,085)	-	-	(3,085)
Balance at 31 December 2014	<u>244,194</u>	<u>(2,884)</u>	<u>(31,980)</u>	<u>209,330</u>
Balance at 1 January 2015	244,194	(2,884)	(31,980)	209,330
Loss for the year (<i>note 10</i>)	-	-	(56,537)	(56,537)
Other comprehensive income	-	21,316	-	21,316
Total comprehensive income/ (expenses) for the year	-	21,316	(56,537)	(35,221)
Shares issued by way of placing	91,303	-	-	91,303
Shares issue expenses	(2,860)	-	-	(2,860)
Shares issued as consideration of acquisition of subsidiaries	66,432	-	-	66,432
Balance at 31 December 2015	<u>399,069</u>	<u>18,432</u>	<u>(88,517)</u>	<u>328,984</u>

34. Major non-cash transactions

On 14 May 2015, (i) 307,692,307 new ordinary shares at the issue price of HK\$0.13 per share were issued and allotted to Mr. Chu Wai Kit; and (ii) promissory notes in the principal amount of HK\$160,000,000 was issued to Gloss Rise Limited upon completion of the acquisition agreement dated 16 February 2015 entered into among the Company, Mr. Chu Wai Kit and Gloss Rise Limited in relation to the acquisition of the entire issued share capital of Gravitas Group Limited from Mr. Chu Wai Kit (to the extent of 20%) and Gloss Rise Limited (to the extent of 80%). Part of the promissory notes in the principal amount of HK\$110,000,000 was repaid on 17 June 2015.

35. Non-adjusting events after the reporting period

On 5 January 2016, the Company announced that the placing agreement, that entered into with the placing agent in relation to the placing of the placing shares on 15 December 2015, was completed. An aggregate of 580,450,000 Placing Shares were successfully placed by the placing agent to not less than six placees at HK\$0.098 per placing share. The placing shares of 580,450,000 new shares represent approximately 20.00% of the existing issued share capital of the Company of 2,902,259,827 shares and approximately 16.67% of the issued share capital of the Company of 3,482,709,827 shares as enlarged by this placing. The aggregate nominal value of this placing shares will be HK\$5,804,500.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 december 2015

Up to the date of issue of the consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38,	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF THE ED GROUP

Except for the second paragraph of note 20, set out below is reproduction of the text of the unaudited condensed consolidated financial statements of the ED Group together with the accompanying notes contained in the interim report of the ED Group for the six months ended 30 June 2016 (the “Interim Report”). Capitalized terms used in this section have the same meanings as those defined in the Interim Report.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Turnover	4	224,661	338,692
Cost of sales		<u>(183,852)</u>	<u>(111,320)</u>
Gross profit		40,809	227,372
Other revenue		3,551	118
Distribution expenses		(10,823)	(13,280)
General and administrative expenses		(21,653)	(34,678)
Other operating expenses		(46)	(42)
Loss on early redemption of promissory notes		(1,262)	(3,340)
Provision for impairment loss on available-for-sale securities		(40,382)	–
Provision for impairment loss on goodwill		<u>(86,930)</u>	<u>–</u>
(Loss)/profit from operations		(116,736)	176,150
Share of loss of an associate		(1,910)	–
Finance costs	5(i)	<u>(1,134)</u>	<u>(2,244)</u>
(Loss)/profit before taxation	5	(119,780)	173,906
Income tax expense	6	<u>(4,260)</u>	<u>(2,411)</u>
(Loss)/profit for the period		<u><u>(124,040)</u></u>	<u><u>171,495</u></u>

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:			
Equity shareholders of the Company		(129,332)	168,895
Non-controlling interests		<u>5,292</u>	<u>2,600</u>
(Loss)/profit for the period		<u><u>(124,040)</u></u>	<u><u>171,495</u></u>
(Loss)/earnings per share (RMB)			(Restated)
Basic	7	<u><u>(0.34)</u></u>	<u><u>0.76</u></u>
Diluted		<u><u>(0.34)</u></u>	<u><u>0.76</u></u>

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

For the six months ended 30 June 2016

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
<i>Notes</i>	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(124,040)	171,495
Other comprehensive (expense)/income for the period (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas operations	(814)	3,257
Share of exchange difference of an associate	<u>(30)</u>	<u>–</u>
Total comprehensive (expense)/income for the period	<u>(124,884)</u>	<u>174,752</u>
Attributable to:		
Equity shareholders of the Company	(130,624)	172,146
Non-controlling interests	<u>5,740</u>	<u>2,606</u>
Total comprehensive (expense)/income for the period	<u>(124,884)</u>	<u>174,752</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in Renminbi)

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

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in Renminbi)

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2016**(Expressed in Renminbi)*

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1. Basis of preparation

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

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended 31 December 2015 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company’s principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2016.

2. Changes in accounting policies

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

- Amendments to IFRSs, *Annual Improvements to IFRS 2012–2014 Cycle*
- Amendments to IAS1, *Presentation of financial statements: Disclosure Initiative*

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

3. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has identified three major reportable segments.

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading securities listed on the Stock Exchange.
- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong.

(a) *Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment (loss)/profit is “adjusted (loss)/profit before taxation”. To arrive at adjusted (loss)/profit before taxation, the Group’s (loss)/earnings are adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted (loss)/profit before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current period (six months ended 30 June 2015: Nil).

Information regarding the Group’s reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the period is set out below.

	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	215,824	141,663	301	18,857	4,780	3,005	63	-	220,968	163,525
Investment income	-	-	3,693	175,167	-	-	-	-	3,693	175,167
Reportable segment revenue	215,824	141,663	3,994	194,024	4,780	3,005	63	-	224,661	338,692
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	18,602	8,909	3,983	193,523	(100,525)	110	(327)	-	(78,267)	202,542
Interest income from bank deposits	36	49	-	-	-	-	-	-	36	49
Interest expenses	441	366	-	-	37	25	-	-	478	391
Depreciation and amortisation for the period	506	490	-	-	386	133	4	-	896	623

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

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

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

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

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's reportable segment revenue; and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of goodwill and intangible assets.

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

4. Turnover

The principal activities of the Group are the provision of integrated business software solutions, mobile marketing services and trading of listed securities.

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

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

5. (Loss)/profit before taxation

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

(i) Finance costs

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

(ii) Staff costs

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	15,705	21,099
Contributions to defined contribution retirement schemes	<u>2,224</u>	<u>1,793</u>
	<u><u>17,929</u></u>	<u><u>22,892</u></u>

Salaries, wages and benefits of approximately RMB2,760,000 (six months ended 30 June 2015: RMB1,361,000) has been expensed in cost of sales for six months period ended 30 June 2016.

(iii) Other items

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

6. Income tax expense

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC	<u>4,260</u>	<u>2,411</u>

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

No provision for Hong Kong Profits Tax has been made for the period as the Group does not have assessable profits subject to Hong Kong Profits Tax during the period.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for 2016 and 2015 as it was awarded high-technology status by the tax authority.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2016 and 2015.

7. Basic and diluted (loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share for the six months ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of approximately RMB129,332,000 (six months ended 30 June 2015: profit of approximately RMB168,895,000) and the weighted average of 376,235,204 ordinary shares (six months ended 30 June 2015: 220,221,167 shares (restated)) in issue during the interim period.

There were no dilutive potential ordinary shares in issue as at 30 June 2016 (30 June 2015: Nil).

8. Property, plant and equipment

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

9. Goodwill

	Total <i>RMB'000</i>
Cost:	
31 December 2015 and 1 January 2016	213,646
Exchange adjustments	<u>4,356</u>
At 30 June 2016	<u>218,002</u>
Accumulated impairment loss:	
31 December 2015 and 1 January 2016	–
Impairment loss	(86,930)
Exchange adjustments	<u>(9,590)</u>
At 30 June 2016	<u>(96,520)</u>
Carrying amount:	
At 30 June 2016	<u>121,482</u>
At 31 December 2015	<u>213,646</u>

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Software business – PRC	19,541	19,541
Mobile marketing business – HK	<u>101,941</u>	<u>194,105</u>
	<u>121,482</u>	<u>213,646</u>

Mobile marketing business – HK

Due to deteriorating performance and suffered significant loss in mobile marketing business, the Directors determined that there was a need for an impairment on the goodwill arising from the acquisition of mobile marketing business as the recoverable amount of cash generating unit (“CGU”) based on the valuation report by an independent valuer was calculated to be lower than their aggregate carrying amounts.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (as at 31 December 2015: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 18.22% (as at 31 December 2015: 18.59%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the six months ended 30 June 2016, the impairment loss of goodwill recognised to the unaudited consolidated statement of profit or loss was approximately RMB86,930,000 (six months ended 30 June 2015: Nil).

The Directors believe that the mobile marketing business containing goodwill has been reduced to its recoverable amount. The management of the Group believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

10. Interests in an associate

On 9 May 2016, the Group acquired 28% equity interests in All Treasure International Industrial Limited (the “Target Company”) from Wisdom Master Investments Limited (the “Vendor”) at a consideration of HK\$71,706,600, which has been satisfied as to HK\$21,706,600 in cash and HK\$50,000,000 by the issue of promissory notes by the Company to the Vendor. Upon completion of the said acquisition, the Target Company has become an associate company of the Company.

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

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

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

11. Available-for-sale securities

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Unlisted equity securities, at cost	52,689	49,738
Provision for impairment loss recognised during the period	(40,382)	–
Exchange adjustment	<u>468</u>	<u>2,951</u>
	<u>12,755</u>	<u>52,689</u>

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

Taking into account the unaudited net asset value of the particular investee as at 30 June 2016, and other relevant factors, full impairment of the value of the investment in the particular investee was made as at 30 June 2016.

12. Trade and other receivables

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

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 allowance for doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	58,654	63,016
Over 1 month but less than 3 months	21,650	13,633
Over 3 months but less than 1 year	2,065	7,212
Over 1 year but less than 2 years	2,304	7,594
Over 2 years	<u>1,582</u>	<u>829</u>
	<u>86,255</u>	<u>92,284</u>

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

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Within 1 month	4,335	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	171	168
Over 1 year but less than 2 years	–	–
Over 2 years	–	–
	<u>4,506</u>	<u>168</u>

- (iii) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.
- (iv) As at 30 June 2016, trade receivables of the Group amounting to approximately RMB1,640,000 (as at 31 December 2015: RMB124,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB1,640,000 were recognised.

13. Trading securities

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Listed equity securities at fair value		
– Hong Kong	<u>122,308</u>	<u>118,031</u>

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

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

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

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

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

14. Trade and other payables

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Trade creditors	37,786	49,351
Non-trade payables and accrued expenses	44,436	50,488
Other taxes payable	—	323
	<u>82,222</u>	<u>100,162</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	At
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Due within 1 month or on demand	36,968	43,640
Due after 1 month but within 3 months	77	4,354
Due after 3 months but within 6 months	40	1,010
Due after 6 months but within 2 years	375	20
Over 2 years	<u>326</u>	<u>327</u>
	<u><u>37,786</u></u>	<u><u>49,351</u></u>

15. Promissory notes

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

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

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

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

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

16. Borrowings

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Borrowings:		
Unsecured borrowings	1,430	1,398
Secured bank loan	<u>24,611</u>	<u>4,919</u>
	<u><u>26,041</u></u>	<u><u>6,317</u></u>

At 30 June 2016, the secured bank loans bear interest at 4.36% to 5.75% (as at 31 December 2015: 5.68% to 6.43%) per annum and secured by corporate guarantee of a PRC subsidiary. The unsecured borrowing bears interest at 4.56% (as at 31 December 2015: 5%) per annum. The unsecured and guaranteed bank loans bear weighted average effective interest of 5.45% (as at 31 December 2015: 5.43%) per annum and guaranteed by a director of a subsidiary. All borrowings are repayable within one year or on demand.

17. Share capital

	Notes	30 June 2016		31 December 2015	
		Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:					
At 1 January		100,000,000,000	1,000,000,000	3,000,000,000	30,000,000
Increase on 6 August 2015		-	-	97,000,000,000	970,000,000
Share consolidation	(iii)	<u>(90,000,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ordinary shares of HK\$0.1/ HK\$0.01 each		<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:					
At 1 January		2,902,259,827	29,022,598	2,110,867,520	21,108,675
Issue of consideration shares for the acquisition of subsidiaries	(i)	-	-	307,692,307	3,076,923
Issue of placing shares	(ii)	1,276,990,000	12,769,900	483,700,000	4,837,000
Share consolidation	(iii)	<u>(3,761,324,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June/31 December		<u>417,924,982</u>	<u>41,792,498</u>	<u>2,902,259,827</u>	<u>29,022,598</u>
			RMB equivalent		RMB equivalent
			<u>35,116,834</u>		<u>24,414,823</u>

(i) Issue of consideration shares

Pursuant to an acquisition agreement dated on 16 February 2015, the Group has agreed to issue 307,692,307 ordinary shares of HK\$0.01 each with agreed price at HK\$0.13 per share as consideration shares for acquiring 20% of interest in Gravitas Group Limited from Mr. Chu Wai Kit. Upon completion of the acquisition on 14 May 2015, the consideration shares were issued and recorded at HK\$0.285 per share with reference to the market price as of that date, the issue of shares has resulted an increase in the share capital and share premium by approximately HK\$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK\$84,615,000 (equivalent to approximately RMB66,432,000) respectively.

(ii) Issue of placing shares

Pursuant to a placing agreement dated on 28 May 2015, a total of 483,700,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.25 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$4,837,000 (equivalent to approximately RMB3,804,000) and HK\$116,088,000 (equivalent to approximately RMB91,303,000) respectively.

Pursuant to a placing agreement dated on 15 December 2015, a total of 580,450,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.098 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$5,804,500 (equivalent to approximately RMB4,885,000) and HK\$49,370,000 (equivalent to approximately RMB41,540,000) respectively.

Pursuant to a placing agreement dated on 6 April 2016, a total of 696,540,000 ordinary shares of HK\$0.01 each were issued at the placing price of HK\$0.057 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK\$6,965,400 (equivalent to approximately RMB5,818,000) and HK\$31,540,000 (equivalent to approximately RMB26,350,000) respectively.

(iii) Share consolidation

At the extraordinary general meeting of the Company held on 29 June 2016, an ordinary resolution relating to share consolidation on the basis of every 10 existing ordinary share of HK\$0.01 each in the issued and unissued share capital of the Company are consolidated into one consolidated share of HK\$0.10 each (“Share Consolidation”) was duly passed by the shareholders of the Company and the Share Consolidation became effective on 30 June 2016.

18. Commitments*(i) Capital commitments*

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

(ii) Operating lease commitments

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

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

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

19. Related party transactions

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

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

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

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

20. Events after interim reporting period

On 12 August 2016, the Company proposed to raise approximately HK\$206,900,000 (before expenses) by way of a rights issue of 1,253,774,946 rights shares at a subscription price of HK\$0.165 per rights share on the basis of three (3) rights shares for every one (1) share held on the record date. The rights issue is subject to the approval of the independent shareholders at an extraordinary general meeting to be convened and held for approving the same. For details, please refer to the Company's announcement dated 12 August 2016.

On 4 October 2016, the Company and the underwriter mutually agreed to terminate the underwriting agreement in relation to the rights issue by entering into a termination agreement with immediate effect. As such, the rights issue was terminated. For details, please refer to the Company's announcement dated 4 October 2016.

21. Comparative figures

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

4. INDEBTEDNESS

As at the close of business on 31 December 2016, being the latest practicable date for the purpose this indebtedness statement, the indebtedness of the ED Group was as follows:

Bank loans

The ED Group had outstanding bank loans from financial institutions with principal amount of RMB24,000,000 bear interest at 4.35% to 5.76% per annum and secured by corporate guarantee of a PRC subsidiary, trade receivables of third party and a director of PRC subsidiaries.

The ED Group had outstanding bank loans of approximately RMB279,000 (equivalent to approximately HK\$312,000), bear weighted average effective interest of 5.51% per annum, which contained a clause that gave the lender the right to demand repayment without notice period of 12 months, and secured by personal guarantee provided by certain directors of a Hong Kong subsidiary.

Other borrowings

The ED Group had other borrowings from an independent third parties with principal amount of approximately RMB5,971,000 (equivalent to approximately HK\$6,670,000) bear interest at 5% to 9% per annum.

Capital commitment

The ED Group has capital commitments in respect of capital injection of subsidiaries in the PRC amounting to approximately RMB7,650,000.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the ED Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 December 2016. To the best knowledge of the ED Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the ED Group since 31 December 2016 and up to the Latest Practicable Date.

5. MATERIAL CHANGE

The ED Directors confirm that, save as below, there has been no material change in the financial or trading position or outlook of the ED Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the ED Group were made, up to and including the Latest Practicable Date:

- (i) the completion of the three placings of new shares by Enterprise Development on 5 January 2016, 15 April 2016 and 8 December 2016 and raised a total of approximately HK\$145.2 million, details of which were disclosed in the announcements of Enterprise Development on 15 December 2015, 6 April 2016 and 30 November 2016 respectively;
- (ii) the acquisition of 28% equity interest in All Treasure International Industrial Limited at the consideration of HK\$71,706,600 on 9 May 2016, involving the issue of promissory note in the principal amount of HK\$50 million, which constituted a discloseable transaction of Enterprise Development. Details of the acquisition are set out in the announcement of Enterprise Development dated 9 May 2016;
- (iii) the possible acquisition of a securities broking business pursuant to the memorandum of understanding dated 6 January 2017 in which a refundable deposit of HK\$1,500,000 had been paid to the sellers, details of which are set out in the announcement of Enterprise Development dated 6 January 2017;
- (iv) the provision of a term loan in the principal amount of HK\$12 million to All Treasure International Industrial Limited, an associate company of Enterprise Development on 5 September 2016 for a term of 180 days from the date of drawdown of the loan at an interest rate of 12% per annum, which constituted a discloseable transaction of Enterprise Development. Enterprise Development extended the term of the loan from 180 days to 365 days from the date of the drawdown of the loan on 3 March 2017. Details of the provision of loan and extension are set out in the announcements of Enterprise Development dated 5 September 2016 and 3 March 2017;
- (v) based on the preliminary review on the unaudited management account of the ED Group and information currently available to the ED Board, the ED Group is expected to record a loss attributable to equity shareholders for the year ended 31 December 2016, compared to the profit attributable to equity shareholders for the corresponding year ended 31 December 2015. The loss attributable to equity shareholders was mainly due to, including but not limited to, (i) the ED Group will recognize impairment on its goodwill of approximately RMB189.8 million for the year ended 31 December 2016; (ii) the ED Group will recognize impairment on its available for-sale securities of approximately RMB41.1 million for the year ended 31 December 2016; and (iii) the realized and unrealized loss on investments in listed financial assets at fair value through profit and loss is approximately RMB81.4 million for the year ended 31 December 2016, compared to the realized and unrealized gain on investments in listed

financial assets at fair value through profit and loss is approximately RMB43.2 million for the corresponding year ended 31 December 2015. Details of which is set out in the Profit Warning Announcement;

- (vi) a decrease in the administrative expense for the financial year ended 31 December 2016 as compared to that of 2015, which is mainly due to the higher staff costs, legal and professional fee, entertainment and travelling for business expansion during the financial year ended 31 December 2015;
- (vii) the repayment of promissory notes in the principal amount of HK\$50 million in relation to the acquisition of Gravitass Group Limited in 2015 (details of which are set out in the announcement of Enterprise Development dated 16 February 2015) and HK\$50 million in relation to the acquisition numbered (ii) above; and
- (viii) the increase in secured bank borrowing from approximately RMB4.92 million as at 31 December 2015 to approximately RMB24.28 million as at 31 December 2016.

1. REPORT FROM HLB HODGSON IMPEY CHENG LIMITED

The following is the full text of report prepared for the purpose of incorporation in this Composite Document, received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

24 March 2017

The Board of Directors

Enterprises Development Holdings Limited

Room 2810, 28th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
HONG KONG

Dear Sirs

**ENTERPRISES DEVELOPMENT HOLDINGS LIMITED (THE “COMPANY”) AND
ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “GROUP”)
LETTER ON PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2016**

We refer to the estimate of the loss attributable to owners of the Company for the year ended 31 December 2016 (the “Profit Estimate”) set forth in the profit warning announcement issued by the Company dated 23 January 2017 (the “Profit Warning Announcement”).

DIRECTORS’ RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Group for the year ended 2016.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. This letter is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this letter.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in the Profit Warning Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group set out in the annual report of the Company for the year ended 31 December 2015 and the new or revised accounting standards issued that are effective for accounting period beginning 1 January 2016 where applicable. This letter should not be construed as in any way updating or refreshing the aforementioned auditors' report nor do we accept responsibility for such report beyond that owed to those to whom the report was addressed by us at the date of its issue.

Yours faithfully

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

2. REPORT FROM SHINCO

The following is the full text of report prepared for the purpose of incorporation in this Composite Document, received from Shinco, the ED Independent Financial Adviser.



Room 1106, 11/F
Office Plus@Sheung Wan
No. 93 – 103 Wing Lok Street
Sheung Wan
Hong Kong

24 March 2017

The board of directors

Enterprise Development Holdings Limited

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

Dear Sirs,

Reference is made to the composite document of Enterprise Development Holdings Limited (“**Enterprise Development**”) dated 24 March 2017 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Composite Document unless the context otherwise required.

We refer to the statement (the “**Statement**”) made by Enterprise Development under the Profit Warning Announcement issued by Enterprise Development. Under the Profit Warning Announcement, it is announced that Enterprise Development is expected to record a loss attributable to equity shareholders for year ended 31 December 2016, compared to the profit attributable to equity shareholders for the corresponding year ended 31 December 2015. The loss attributable to equity shareholders was mainly due to, including but not limited to, (i) the ED Group will recognize impairment on its goodwill of approximately RMB189.8 million for the year ended 31 December 2016; (ii) the ED Group will recognize impairment on its available for-sale securities of approximately RMB41.1 million for the year ended 31 December 2016; and (iii) the realized and unrealized loss on investments in listed financial assets at fair value through profit and loss is approximately RMB81.4 million for the year ended 31 December 2016, compared to the realized and unrealized gain on investments in listed financial assets at fair value through profit and loss is approximately RMB43.2 million for the corresponding year ended 31 December 2015.

The Statement made under the Profit Warning Announcement constituted a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser or independent financial adviser, and the auditors or consultant accountants. This report is issued in compliance with the requirement under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Profit Warning Announcement and other relevant information and documents (in particular, the unaudited consolidated management accounts of the ED Group for the year ended 31 December 2016 (the “**Management Accounts**”)) which you as the ED Directors are solely responsible for, and discussed with you and the senior management of Enterprise Development the information and documents (in particular, the Management Accounts) provided by you which formed the bases and the assumptions upon which the Profit Warning Announcement have been made. In respect of the accounting policies and calculations concerned, upon which the Profit Warning Announcement have been made, we have relied upon the report as contained in Appendix IIB to the Composite Document addressed to the ED Board from HLB Hodgson Impey Cheng Limited, being the reporting accountants of Enterprise Development. HLB Hodgson Impey Cheng Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Warning Announcement have been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in the Profit Warning Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the ED Group set out in the annual report of Enterprise Development for the year ended 31 December 2015 and the new or revised accounting standards issued that are effective for accounting period beginning 1 January 2016 where applicable.

On the basis of the foregoing, we are of the opinion that the Statement, for which the ED Directors are solely responsible, have been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Composite Document with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Shinco Capital Limited

Bobby Chow
Managing Director

Teresa Tsang
Director

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offeror and the ED Group.

As at the date of this Composite Document, the ED Board comprises three executive directors, namely Mr. Lam Kai Tai, Mr. Wong Ho Sing and Mr. Li Jiang Nan and three independent non-executive directors, namely Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian.

The ED Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, Rentian and its subsidiaries and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, Rentian and its subsidiaries and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices of the ED Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Date; and (c) the Latest Practicable Date.

Date	Closing price per ED Share (HK\$)
31 August 2016	0.415
30 September 2016	0.43
31 October 2016	0.75
30 November 2016	0.73
30 December 2016	0.65
27 January 2017	0.97
9 February 2017 (Last Trading Day)	0.94
28 February 2017	1.04
21 March 2017 (Latest Practicable Date)	1.01

During the Relevant Period:

- (i) The highest closing price of the ED Shares as quoted on the Stock Exchange was HK\$1.13 per ED Share on 20 February 2017; and
- (ii) The lowest closing price of the ED Shares as quoted on the Stock Exchange was HK\$0.265 per ED Share on 22 August 2016.

3. SHARE CAPITAL OF ENTERPRISE DEVELOPMENT

As at the Latest Practicable Date, the authorised share capital and the issued share capital of Enterprise Development were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	ED Shares of HK\$0.10 each	<u>1,000,000,000</u>
 <i>Issued and fully paid up:</i>		
<u>501,508,982</u>	ED Shares of HK\$0.10 each	<u>50,150,898.2</u>

All of the ED Shares currently in issue rank *pari passu* in all respects, including in particular, as to dividend, voting rights and capital. The ED Shares are listed on the Stock Exchange and none of the securities of Enterprise Development are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Enterprise Development allotted and issued the following ED Shares since 31 December 2015 (being the date to which its latest published audited financial statements of the ED Group were made up) and up to and including the the Latest Practicable Date:

Date	No. of ED Shares being allotted and issued
5 January 2016	580,450,000 ED Shares of HK\$0.01 each pursuant to the placing agreement dated 15 December 2015
15 April 2016	696,540,000 ED Shares of HK\$0.01 each pursuant to the placing agreement dated 6 April 2016
8 December 2016	83,584,000 ED Shares of HK\$0.10 each pursuant to the placing agreement dated 30 November 2016

As at the Latest Practicable Date, Enterprise Development has no outstanding options, warrants, securities, derivatives or convertible securities in respect of the ED Shares which were issued by Enterprise Development.

4. DISCLOSURE OF INTERESTS

(a) Interests of ED Directors in Enterprise Development and its associated corporations

As at the Latest Practicable Date, none of the ED Directors and chief executive of Enterprise Development had any interest or short position in the ED Shares, underlying ED Shares and debentures of Enterprise Development or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to Enterprise Development and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was 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 of Enterprise Development referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to Enterprise Development and the Stock Exchange.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, the register maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in 4(a) above, the following shareholders had notified Enterprise Development of their relevant interests in the ED Shares:

Name	Capacity and nature of interests	Number of ED Shares/ underlying ED Shares	Approximate percentage shareholding in Enterprise Development (Note 3)
Affluent Start (Note 1)	Beneficial owner	60,435,500	12.05%
Mr. King (Note 1)	Interest of controlled corporation	136,815,500	27.28%
Rentian (Note 2)	Interest of controlled corporation	72,380,000	14.43%

Notes:

1. – the 136,815,500 ED Shares represent the aggregate of:
 - (i) 60,435,500 ED Shares held by Affluent Start;
 - (ii) 4,000,000 ED Shares held by Mystery Idea;
 - (iii) 55,198,000 ED Shares held by the Offeror which is wholly-owned by Gauteng Focus Limited. Gauteng Focus Limited is wholly-owned by Rentian; and
 - (iv) 17,182,000 ED Shares held by Sino Wealthy. Sino Wealthy is wholly-owned by Gauteng Focus Limited through Bremwood Holdings Limited. Gauteng Focus Limited is wholly-owned by Rentian.

– Mr. King owned (i) 100% of the issued share capital of Affluent Start; (ii) 100% of the issued share capital of Mystery Idea; and (iii) approximately 53.51% of the issued share capital of Rentian.

Mr. King is, therefore, deemed to be interested in the 136,815,500 ED Shares under the SFO.
2. – the 72,380,000 ED Shares represent the aggregate of:
 - (i) 55,198,000 ED Shares held by the Offeror which is wholly-owned by Gauteng Focus Limited; and
 - (ii) 17,182,000 ED Shares held by Sino Wealthy. Sino Wealthy is wholly-owned by Gauteng Focus Limited through Bremwood Holdings Limited.

– Gauteng Focus Limited is wholly-owned by Rentian and therefore, Rentian is deemed to be interested in the 72,380,000 ED Shares under the SFO.
3. The percentage has been compiled based on the total number of shares of Enterprise Development in issue (i.e. 501,508,982) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the ED Directors were not aware of any other person (not being a ED Director or chief executive of Enterprise Development) who had an interest or short positions in the ED Shares or underlying ED Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of Enterprise Development.

5. ED DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware:

- (1) none of the ED Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the ED Group or any significant conflicts with the interests of the ED Group;
- (2) there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a ED Director is materially interested or which is significant in relation to any business of the ED Group; and
- (3) no ED Director has any interest, direct or indirect, in any assets which have been, since 31 December 2015, acquired or disposed of by or leased to any member of the ED Group or proposed to be acquired or disposed of by or leased to any member of the ED Group.

6. DISCLOSURE OF INTERESTS IN ED SHARES AND COMMITMENTS WITH RESPECT TO THE OFFER

Saved as disclosed under the section headed "Disclosure of Interests", as at the Latest Practicable Date:

- (a) Enterprise Development did not own any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror, and Enterprise Development did not deal for value in shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror during the Relevant Period.
- (b) none of the ED Directors were interested in any ED Shares or of any convertible securities, warrants, options or derivatives in respect of any ED Shares, and none of them had dealt for value in ED Shares of any convertible securities, warrants, options or derivatives in respect of any ED Shares during the Relevant Period.
- (c) none of the ED Directors were interested within the meaning of Part XV of the SFO in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror, and none of them had dealt for value in shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror during the Relevant Period.

- (d) none of the subsidiaries of Enterprise Development, the pension fund of Enterprise Development or of its subsidiaries, or the adviser of Enterprise Development as specified in class (2) of the definition of “associates” under the Takeovers Code owned or controlled any ED Shares or of any convertible securities, warrants, options or derivatives in respect of any ED Shares, and none of them had dealt for value in ED Shares or any convertible securities, warrants, options or derivatives in respect of any ED Shares during the Relevant Period.
- (e) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Enterprise Development or with any person who is an associate of Enterprise Development by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of such persons had dealt for value in any ED Shares or any convertible securities, warrants, options or derivatives in respect of any ED Shares during the Relevant Period.
- (f) none of the ED Shares or any convertible securities, warrants, options or derivatives in respect of any ED Shares were managed on a discretionary basis by fund managers connected with Enterprise Development, and none of them had dealt for value in ED Shares or any convertible securities, warrants, options or derivatives in respect of any ED Shares during the Relevant Period.
- (g) none of the ED Directors held any beneficial shareholdings in Enterprise Development which would otherwise entitle them to accept or reject the Offer.
- (h) none of Enterprise Development or ED Directors had borrowed or lent any ED Shares or any convertible securities, warrants, options or derivatives in respect of any ED Shares.

7. ARRANGEMENTS AFFECTING THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) had been or would be given to any ED Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) no agreement or arrangement between any ED Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) no material contract entered into by the Offeror in which any ED Director has a material personal interest.

8. ED DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, Enterprise Development had entered into the following service contract and service agreement with the ED Directors:

- (a) the service contract dated 20 December 2016 entered into between Enterprise Development and Mr. Li Jiang Nan, pursuant to which Mr. Li was appointed as an executive Director for a period of three years commencing from 20 December 2016 and entitled to receive a fixed salary of HK\$20,000 per month;
- (b) the service agreement dated 19 January 2017 entered into between Enterprise Development and Mr. Liu Jian, pursuant to which Mr. Liu was appointed as an independent non-executive Director for a period of three years commencing from 19 January 2017 and entitled to receive a fixed salary of HK\$20,000 per month;

Save as disclosed above, as at the Latest Practicable Date, none of the ED Directors had any service contract with Enterprise Development or any of its subsidiaries or associated companies.

9. LITIGATION

As at the Latest Practicable Date, no member of the ED Group was engaged in any litigation arbitration or claims of material importance and, so far as the ED Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the ED Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the members of the ED Group within the two years immediately preceding the date of commencement of the Offer Period:

- (i) the placing agreement dated 30 November 2016 entered into between Enterprise Development (as issuer) and Get Nice Securities Limited (as placing agent) in relation to the placing of 83,584,000 new shares of Enterprise Development at the placing price of HK\$0.65 per placing share;
- (ii) the loan agreement dated 5 September 2016 entered into between Enterprise Development (as lender) and All Treasure International Industrial Limited (as borrower which Enterprise Development held 28% of its issued share capital) in relation to advance a term loan in the principal amount of HK\$12 million for 180 days at interest rate 12% per annum to the borrower;

- (iii) the underwriting agreement dated 12 August 2016 entered into between Enterprise Development (as issuer) and China Rise Securities Asset Management Company Limited (as underwriter) (the “**August 2016 Underwriting Agreement**”) in relation to the provision of underwriting services to Enterprise Development and the termination agreement dated 4 October 2016 entered into between the issuer and underwriter in relation to the termination of the August 2016 Underwriting Agreement;
- (iv) the acquisition agreement dated 9 May 2016 entered into between Fine Time Global Limited, a direct wholly-owned subsidiary of Enterprise Development (as the purchaser) and Wisdom Master Investments Limited (as the vendor) pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell 28% of the issued share capital of All Treasure International Industrial Limited (as target company) at the consideration of HK\$71,706,600, which has been satisfied as to (i) HK\$21,706,600 in cash; and (ii) HK\$50,000,000 by the issue of promissory notes to the vendor;
- (v) the placing agreement dated 6 April 2016 entered into between Enterprise Development (as issuer) and China Rise Securities Asset Management Company Limited (as placing agent) in relation to the placing of 696,540,000 new shares of Enterprise Development at the placing price of HK\$0.057 per placing share;
- (vi) the placing agreement dated 15 December 2015 entered into between Enterprise Development (as issuer) and China Rise Securities Asset Management Company Limited (as placing agent) in relation to the placing of 580,450,000 new shares of Enterprise Development at the placing price of HK\$0.098 per placing share;
- (vii) the sale and purchase agreement dated 30 June 2015 entered into between Winsino Investments Limited, a direct wholly-owned subsidiary of Enterprise Development (as vendor) and SCML INV Investments (1) Limited (as purchaser) (the “**June 2015 SPA**”) pursuant to which the vendor has conditionally agreed to sell and the purchaser has conditionally agreed to acquire 60% of the entire issued share capital of Easy Talent Limited and the termination deed dated 25 August 2015 entered into between the vendor and purchaser in relation to the termination of the June 2015 SPA; and
- (viii) the placing agreement dated 28 May 2015 entered into between Enterprise Development (as issuer) and China Rise Securities Asset Management Company Limited (as placing agent) in relation to the placing of 483,700,000 new shares of Enterprise Development at the placing price of HK\$0.25 per placing share.

11. QUALIFICATIONS AND CONSENT OF EXPERT

The followings are the qualification of the experts who have been named in this Composite Document and/or given opinion or advice which is contained in this Composite Document:

Name	Qualification
Shinco	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

Shinco has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion and/or references to its name in the form and context in which they are included.

HLB Hodgson Impey Cheng Limited, the auditors to Enterprise Development, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, opinion and/or references to its name in the form and context in which they are included.

12. MISCELLANEOUS

- (a) The registered address of the Offeror is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (b) The registered office of Enterprise Development is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of Enterprise Development in Hong Kong is Room 2810, 28th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (c) The financial adviser to the Offeror in respect of the Offer is Kingston Corporate Finance Limited whose registered office is at 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (d) The financial adviser to Enterprise Development in respect of the Offer is Akron Corporate Finance Limited whose registered office is at 17AB, Trust Tower, 68 Johnston Road, Wanchai, Hong Kong.

- (e) The principal place of business of Shinco is Room 1106, 11/F, Office Plus@Sheung Wan, No.93-103, Wing Lok Street, Sheung Wan, Hong Kong.
- (f) As at the Latest Practicable Date, the ED Board comprises three executive directors, namely Mr. Lam Kai Tai (Chairman), Mr. Wong Ho Sing and Mr. Li Jiang Nan, and three independent non-executive directors, namely Ms. Hu Gin Ing, Mr. Liu Kam Lung and Mr. Liu Jian.
- (g) The company secretary of Enterprise Development is Mr. Ng Wing Ching, a member of The Hong Kong Institute of Certified Public Accountants.
- (h) The Hong Kong branch share registrar and transfer office of Enterprise Development is Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (i) The principal share registrar and transfer office of Enterprise Development is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (j) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the websites of Enterprise Development (<http://www.1808.com.hk>) and the SFC (<http://www.sfc.hk>); and (ii) at the principal place of business of Enterprise Development at Room 2810, 28th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) from the date of this Composite Document until the Closing Date or the date on which the Offer is withdrawn or lapse, whichever is earlier:

- (a) the memorandum and articles of association of Enterprise Development;
- (b) the annual reports of Enterprise Development for the years ended 31 December 2014 and 2015 respectively;
- (c) the interim report of Enterprise Development for the six month ended 30 June 2016;
- (d) the Affluent Start Confirmation;

- (e) the Mystery Idea Confirmation;
- (f) the letter from Kingston Securities, the text of which is set out on pages 12 to 27 of this Composite Document;
- (g) the letter from the ED Board, the text of which is set out on pages 28 to 32 of this Composite Document;
- (h) the letter from the ED Independent Board Committee, the text of which is set out on pages 33 to 34 of this Composite Document;
- (i) the letter from the ED Independent Financial Adviser, the text of which is set out on pages 35 to 54 of this Composite Document;
- (j) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (k) the service contracts as referred to in the section headed “ED Directors’ Service Contracts” in this appendix;
- (l) the written consent as referred to in the section headed “Qualifications and Consent of Expert” in this appendix;
- (m) the reports issued by HLB Hodgson Impey Cheng Limited and Shinco on Profit Warning Announcement, the text of which are set out in Appendix IIB to this Composite Document; and
- (n) this Composite Document.

1 RESPONSIBILITY STATEMENT

The issue of this Composite Document has been approved by the sole director of the Offeror, who accepts full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the ED Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the ED Group or the ED Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2 DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the ED Shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Enterprise Development held, owned or controlled by the Offeror and parties acting in concert with it were as follows:

Name of the Offeror/parties acting in concert with it	Capacity	Number of ED Shares	Approx. %
The Offeror	Beneficial owner	55,198,000	11.01
Sino Wealthy	Beneficial owner	17,182,000	3.42
Affluent Start	Beneficial owner	60,435,500	12.05
Mystery Idea	Beneficial owner	4,000,000	0.80

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its sole director, and the parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Enterprise Development.

3 ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) During the Relevant Period, the Offeror and parties acting in concert with it had dealt for value in ED Shares, the particulars of which are as follows:

Date	Name	Purchase/Sale	Number of ED Shares	Price per ED Share (HK\$)	Approx. %
20 December 2016	Mystery Idea	Purchase	4,000,000	0.66	0.80
12 January 2017	Sino Wealthy	Purchase	194,000	0.77	0.04
			80,000	0.78	0.02
13 January 2017	Sino Wealthy	Purchase	400,000	0.84	0.08
18 January 2017	Sino Wealthy	Purchase	7,534,000	0.83	1.50
			652,000	0.84	0.13
			672,000	0.85	0.13
19 January 2017	Sino Wealthy	Purchase	500,000	0.81	0.10
			680,000	0.83	0.14
			390,000	0.84	0.08
20 January 2017	Sino Wealthy	Purchase	300,000	0.86	0.06
			90,000	0.87	0.02
			780,000	0.89	0.16
26 January 2017	Sino Wealthy	Purchase	2,900,000	0.98	0.58
2 February 2017	Sino Wealthy	Purchase	32,000	0.93	0.01
			198,000	0.94	0.04
			160,000	0.96	0.03
			10,000	0.97	0.00
3 February 2017	Sino Wealthy	Purchase	50,000	0.92	0.01
			50,000	0.93	0.01
			224,000	0.94	0.04
			72,000	0.96	0.01
			194,000	0.97	0.04
			234,000	0.98	0.05
6 February 2017	Sino Wealthy	Purchase	252,000	0.94	0.05
			210,000	0.95	0.04
7 February 2017	Sino Wealthy	Purchase	74,000	0.94	0.01
8 February 2017	Sino Wealthy	Purchase	250,000	0.97	0.05

APPENDIX IV**GENERAL INFORMATION OF THE OFFEROR**

Date	Name	Purchase/Sale	Number of ED Shares	Price per ED Share (HK\$)	Approx. %
9 February 2017	The Offeror	Purchase	104,000	0.94	0.02
			1,680,000	0.95	0.33
			200,000	0.96	0.04
			100,000	0.97	0.02
			100,000	0.98	0.02
14 February 2017	The Offeror	Purchase	566,000	0.96	0.11
			550,000	0.97	0.11
			1,112,000	0.98	0.22
			1,408,000	0.99	0.28
			1,578,000	1.00	0.31
15 February 2017	The Offeror	Purchase	1,928,000	1.00	0.38
16 February 2017	The Offeror	Purchase	2,452,000	1.00	0.49
17 February 2017	The Offeror	Purchase	200,000	1.00	0.04
23 February 2017	The Offeror	Purchase	2,840,000	1.00	0.57
24 February 2017	The Offeror	Purchase	2,624,000	1.00	0.52
1 March 2017	The Offeror	Purchase	2,126,000	1.00	0.42
3 March 2017	The Offeror	Purchase	4,590,000	1.00	0.92
6 March 2017	The Offeror	Purchase	5,200,000	1.00	1.04
7 March 2017	The Offeror	Purchase	8,706,000	1.00	1.74
8 March 2017	The Offeror	Purchase	886,000	1.00	0.18
9 March 2017	The Offeror	Purchase	8,350,000	1.00	1.66
10 March 2017	The Offeror	Purchase	3,838,000	1.00	0.77
13 March 2017	The Offeror	Purchase	400,000	1.00	0.08
15 March 2017	The Offeror	Purchase	766,000	1.00	0.15
16 March 2017	The Offeror	Purchase	944,000	1.00	0.19
20 March 2017	The Offeror	Purchase	1,632,000	1.00	0.33
21 March 2017	The Offeror	Purchase	318,000	1.00	0.06

Save as disclosed above, during the Relevant Period, none of the Offeror and parties acting in concert with it had dealt for value in any ED Shares or convertible securities, warrants, options or derivatives in respect of ED Shares.

- (b) As at the Latest Practicable Date, there were no outstanding derivatives in respect of securities in Enterprise Development which had been entered into by the Offeror or any party acting in concert with it.
- (c) Save for the Affluent Start Confirmation and the Mystery Idea Confirmation, as at the Latest Practicable Date, none of the Offeror and/or parties acting in concert with it had received any irrevocable commitment to accept the Offer or any irrevocable undertaking from any ED Shareholder not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any ED Shares held by he/she/it/them.
- (d) As at the Latest Practicable Date, none of the Offeror and/or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Enterprise Development.
- (e) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any party acting in concert with it and any other person, or between any other associate of the Offeror and any other person.
- (f) As at the Latest Practicable Date, there was no agreement (whether by way of option, indemnity or otherwise) of any kind in relation to the shares of the Offeror and parties acting in concert with it or Enterprise Development which might be material to the Offer.
- (g) As at the Latest Practicable Date, there was no agreement, arrangement or understanding that any securities of Enterprise Development acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons. As at the Latest Practicable Date, Kingston Securities held no securities in Enterprise Development.
- (h) As at the Latest Practicable Date, there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer save for the Conditions set out in this Composite Document.

4 GENERAL

As at the Latest Practicable Date:

- (a) there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any ED Directors as compensation for loss of office or otherwise in connection with the Offer;

- (b) there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any ED Directors, recent ED Directors, ED Shareholders or recent ED Shareholders having any connection with or was dependent upon the Offer; and
- (c) there was no agreement or arrangement to which the Offeror and parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

5 MARKET PRICES

The table below shows the closing price of the ED Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; and (ii) the Latest Practicable Date:

Date	Closing price per ED Share (HK\$)
31 August 2016	0.415
30 September 2016	0.430
31 October 2016	0.750
30 November 2016	0.730
30 December 2016	0.650
27 January 2017	0.970
9 February 2017 (the Last Trading Day)	0.940
28 February 2017	1.040
21 March 2017 (the Latest Practicable Date)	1.010

6 EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Kingston Securities	a corporation licensed to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of their advice, letter and/or references to their names in the form and context in which it appears.

7 MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert parties are the Offeror, Sino Wealthy, Affluent Start and Mystery Idea;
- (b) each of the Offeror and Sino Wealthy is wholly-owned by Rentian. As at the Latest Practicable Date, the executive directors of Rentian were Ms. Yang Xiaoying (Chief Executive Officer), Mr. Tsang To and Mr. Choi Chi Fai; and the independent non-executive directors of Rentian were Mr. Zhang Xiaoman, Mr. Chin Hon Siang and Mr. Huang Xin;
- (c) each of Affluent Start and Mystery Idea is wholly-owned by Mr. King;
- (d) the registered office of the Offeror is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is Suites 2001 & 2002, AIA Central, 1 Connaught Road Central, Hong Kong. As at the Latest Practicable Date, the sole director of the Offeror was Mr. Choi Chi Fai;
- (e) the registered office of Sino Wealthy is Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The correspondence address of Sino Wealthy is Suites 2001 & 2002, AIA Central, 1 Connaught Road Central, Hong Kong. As at the Latest Practicable Date, the sole director of Sino Wealthy was Mr. Lo Yuen Wa Peter;
- (f) the registered office of Affluent Start is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. As at the Latest Practicable Date, the sole director of Affluent Start was Mr. King;
- (g) the registered office of Mystery Idea is NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the sole director of Mystery Idea was Mr. King; and
- (h) the principal business address of each of Kingston Corporate Finance and Kingston Securities is Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at www.sfc.com.hk; and (ii) on the website of at www.1808.com.hk from the date of this Composite Document up to the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 12 to 27 of this Composite Document;
- (c) the letters of consent referred to under the paragraph headed “Experts and consents” in this appendix; and
- (d) this Composite Document.