THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shenghua Lande Scitech Limited* (the "**Company**"), you should at once hand this circular together with the accompanying form of proxy and the reply slip, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

浙 江 升 華 蘭 德 科 技 股 份 有 限 公 司
SHENGHUA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8106)

(1) MAJOR TRANSACTION
PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY
AND
(2) PROPOSED CHANGE OF USE OF PROCEEDS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to Shenghua Lande Scitech Limited*

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

A notice convening the extraordinary general meeting (the "**EGM**") to be held at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC on Monday, 29 January 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Growth Enterprise Market (the "**GEM**") (www.hkgem.com) and the Company (www.landpage.com.cn). Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's mailing address at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC (for the holders of Domestic Shares), or the office of the Company's H Share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares) as soon as possible and in any event, not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

A reply slip for the EGM has also been enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed reply slip to the mailing address of the Company as detailed above (for the holders of Domestic Shares), or the office of the Company's H Share registrar, Hong Kong Registrars Limited, as detailed above (for the holders of H Shares) on or before Tuesday, 9 January 2018 in accordance with the instructions printed thereon.

This circular will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and will be posted on the Company's website (www.landpage.com.cn).

* *For identification purposes only*

15 December 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Interest
"Board"	the board of the Directors
"Business Day"	a day (excluding Saturday, Sunday or public or statutory holiday) on which licensed banks in the PRC are generally open for business in the PRC throughout their normal business hours
"Company"	Shenghua Lande Scitech Limited* (浙江升華蘭德科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on GEM
"Closing Date"	the date on which the Conditions have been fulfilled
"Completion"	the completion of the Acquisition
"Conditions"	the conditions precedent which the Completion is subject to as set out in the paragraph headed "Conditions precedent" under the section of "The Equity Transfer Agreement" of the Letter from the Board in this circular
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	RMB25,200,000 (equivalent to approximately HK$29,659,000), being the consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic share(s) of the Company which are subscribed for in RMB
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Proposed Change of Use of Proceeds
"Enlarged Group"	the Group and the Target Company

"Equity Transfer Agreement"	the equity transfer agreement dated 29 September 2017 entered into among the Company, the Vendors and Kameng-related Shareholders in relation to the Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hangzhou Kameng"	Hangzhou Kameng Internet Technology Company Limited* （杭州卡盟網絡科技有限公司）, one of the Vendors, which is directly holding 25% equity interest in the Target Company as at the Latest Practicable Date and principally engaged in investment holding
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	the overseas listed foreign invested share(s) of the Company which are listed on GEM and subscribed for and traded in HK$
"Independent Third Parties"	third parties independent of the Company and connected persons of the Company and "Independent Third Party" shall be construed accordingly
"Kameng-related Shareholders"	Ms. Jiang Ningning（蔣寧寧）, Mr. Wu Benlin（吳本林）, Mr. Jia Feng（賈峰）and Mr. Liu Youbin（劉有斌）, who are the shareholders of Hangzhou Kameng as at the Latest Practicable Date
"Latest Practicable Date"	11 December 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Mr. Zhang"	Mr. Zhang Xuguang（張旭光）, one of the Vendors, who is directly holding 75% equity interest in the Target Company and also one of the shareholders of Hangzhou Kameng as at the Latest Practicable Date
"Placing"	the placing of 150,000,000 new H Shares allotted and issued pursuant to the specific mandate granted by the Shareholders and pursuant to the terms of the placing agreement dated 9 September 2015 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited

"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Sale Interest"	100% of the equity interest in the Target Company, which are owned by the Vendors as at the Latest Practicable Date
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	the Domestic Shares and/or the H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Increator Technology Co., Ltd.* (浙江創建科技有限公司), a company incorporated in the PRC with limited liability
"Vendors"	Mr. Zhang and Hangzhou Kameng
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless stated otherwise, in this circular, amounts denominated in RMB have been translated into HK$ at the exchange rate of RMB0.84966 to HK$1.00, being the exchange rate of RMB against HK$ as announced by The People's Bank of China on the date of the Equity Transfer Agreement. No representation is made that the HK$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this circular have been subject to rounding adjustments.

* *For identification purposes only*

浙江升華蘭德科技股份有限公司
SHENGHUA LANDE SCITECH LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8106)

Executive Directors:
Mr. Qi Jinsong *(Chairman)*
Mr. Chen Ping
Mr. Guan Zilong
Mr. Xu Jianfeng

Independent non-executive Directors:
Mr. Cai Jiamei
Ms. Huang Lianxi
Mr. Shen Haiying

Registered office:
No. 9 Nanhu Road
Zhongguan Town
Deqing County, Huzhou City
Zhejiang Province, the PRC

Head office and principal place of business in the PRC:
17/F., Deqing Shanghui Building
No. 70 Wulipai Road
Deqing County, Huzhou City
Zhejiang Province, the PRC

Principal place of business in Hong Kong:
Room 1505, 15/F.
Fullerton Centre
19 Hung To Road
Kwun Tong
Kowloon, Hong Kong

15 December 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION
PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY
AND
(2) PROPOSED CHANGE OF USE OF PROCEEDS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

Reference is made to the announcement of the Company dated 29 September 2017 in which the Company announced that:

(i) on 29 September 2017, after trading hours, the Company as the purchaser, the Vendors and the Kameng-related Shareholders entered into the Equity Transfer Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Interest, representing 100% of the equity interest in the Target Company at the consideration of RMB25,200,000 (equivalent to approximately HK$29,659,000); and

(ii) the Company has proposed to change the allocation of the net proceeds from the Placing.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition, the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) further information of the Target Company; (iii) details of the Proposed Change of Use of Proceeds; and (iv) the notice of the EGM.

B. PROPOSED ACQUISITION

THE EQUITY TRANSFER AGREEMENT

Major terms of the Equity Transfer Agreement are set out below.

Date:

29 September 2017

Parties:

(1) the Company;

(2) the Vendors; and

(3) the Kameng-related Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and its ultimate beneficial owners (where applicable) and the Kameng-related Shareholders are Independent Third Parties.

Assets to be acquired:

The Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Interest, representing 100% of the equity interest in the Target Company, free from all encumbrances, and together with all rights and benefits attaching thereto.

Consideration:

The Consideration for the Acquisition is RMB25,200,000 (equivalent to approximately HK$29,659,000), which was determined after arm's length negotiations between the Company and the Vendors after taking into account of various factors, including (i) the past financial performance of the Target Company (the Target Company has recorded (1) an increase in the revenue from approximately

RMB17,233,000 for the year ended 31 December 2015 to approximately RMB31,703,000 for the year ended 31 December 2016; (2) an increase in the revenue from approximately RMB19,014,000 for the six months ended 30 June 2016 to approximately RMB21,711,000 for the six months ended 30 June 2017; (3) a turnaround to a net profit for the year ended 31 December 2016, being approximately RMB2,915,000 from a net loss for the year ended 31 December 2015; and (4) an increase in the net profit from approximately RMB1,205,000 for the six months ended 30 June 2016 to approximately RMB2,340,000 for the six months ended 30 June 2017, based on the International Financial Reporting Standards); and (ii) the latest total assets and net assets of the Target Company as at 30 June 2017, being approximately RMB38,727,000 and RMB14,880,000 respectively, based on the International Financial Reporting Standards.

The Consideration shall be paid by the Company to the Vendors in cash within five (5) Business Days after the Closing Date.

The Consideration will be funded by the internal resources of the Group.

Conditions precedent:

Pursuant to the terms thereof, save for the clauses in relation to the definitions, certain undertakings of the Vendors regarding, among others, the management of the Target Company covering the period from 30 June 2017 to the completion of the transfer of the Sale Interest, the amendment and termination of the Equity Transfer Agreement, confidentiality, default liability and the dispute resolutions, the Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions:

(1) the Equity Transfer Agreement has been duly executed by the Company, the Vendors and the Kameng-related Shareholders; and

(2) the Acquisition having been approved by the Shareholders at the EGM.

The Completion is conditional upon the fulfillment or (if applicable) waiver of the following Conditions:

(1) the Acquisition and other relevant resolution(s) having been approved by the Shareholders at the EGM;

(2) the name of the Company having been entered into the register of members of the Target Company;

(3) the necessary filings and/or registrations in relation to the transfer of the Sale Interest, the change of the shareholder and the new articles of association of the Target Company having been completed in the Market Supervision and Management Bureau of Hangzhou City*（杭州市市場監督管理局）and the new business license of the Target Company having been issued; and

(4) up to the date when the Conditions (1) to (3) are satisfied, there is no breach of the Vendors against any undertaking or obligation under the Equity Transfer Agreement.

The Vendors shall complete all the relevant registration procedures/matters in relation to the transfer of the Sale Interest within twenty (20) Business Days after the Acquisition and other transactions as contemplated under the Equity Transfer Agreement are approved by the Shareholders at the EGM.

If the Conditions are not satisfied or (if applicable) waived on or before 30 January 2018 or such other date as the Vendors and the Company may agree in writing, the Equity Transfer Agreement shall cease to have any effect and the obligations of the parties under the Equity Transfer Agreement shall be discharged.

Completion:

The Closing Date will be the date on which the Conditions are fulfilled. Immediately following the Completion, the Target Company will become a wholly-owned subsidiary of the Company.

Non-competition undertakings:

Pursuant to the Equity Transfer Agreement, each of Mr. Zhang and the Kameng-related Shareholders (the "**Core Personnel**") has given the non-competition undertakings to the Company, pursuant to which the Core Personnel and their relatives (including their spouse, parents, siblings, the spouse of the siblings, children and the spouse of the children) undertake to be restrained from, and the Core Personnel shall ensure the key personnel in the management and technology team of the Target Company as listed out in the Equity Transfer Agreement not, participating or engaging in the business(es) which may compete with the Target Company in the PRC, Hong Kong or other place(s) where the Target Company may conduct business for such period of (i) the employment of the Core Personnel with the Target Company and two (2) years after the termination of such employment or (ii) seven (7) years after the date of the Equity Transfer Agreement (whichever is longer) unless with the written consent by the Company.

The Core Personnel would provide confirmation annually in relation to their compliance with the non-competition undertakings.

In the event that the Core Personnel breaches the non-competition undertakings, pursuant to the relevant PRC laws and regulations, the Target Company shall be entitled to, among others, claim loss and/or damages against such Core Personnel. On the other hand, the Target Company will require the relevant Core Personnel to cease the related competing business or layoff such Core Personnel if the breach of non-competition undertakings is conducted during the employment period.

The Vendors and the Kameng-related Shareholders undertake that without the written permission of the Company, the company(ies) in connection with the Vendors shall not conduct such business which will compete with the business of the Target Company or invest in such company, of which the business will compete with the business of the Target Company.

Length of service undertakings:

Pursuant to the Equity Transfer Agreement, unless with the written consent by the Company, each of the Core Personnel shall make sure that the Core Personnel and the key personnel in the management and technology team of the Target Company as listed out in the Equity Transfer Agreement shall serve in the Target Company for not less than five (5) years from the date of the Equity Transfer Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in software development and provision of value-added services.

As confirmed by the Vendors, 浙江浙大網新軟件產業集團有限公司 disposed of its entire equity interest in the Target Company to Mr. Zhang in 2016 at the consideration of RMB15,500,000.

Set out below is a summary of certain audited financial information of the Target Company for the two years ended 31 December 2016, which were prepared in accordance with the China Accounting Standards for Business Enterprises (《中國企業會計準則》):

	For the year ended 31 December 2015	**For the year ended 31 December 2016**
Net (loss) profit (before taxation)	RMB(9,874,000) (equivalent to approximately HK$(11,621,000))	RMB2,175,000 (equivalent to approximately HK$2,560,000)
Net (loss) profit (after taxation)	RMB(9,589,000) (equivalent to approximately HK$(11,286,000))	RMB1,561,000 (equivalent to approximately HK$1,837,000)

The unaudited total assets and net assets of the Target Company based on the management accounts of the Target Company, prepared in accordance with China Accounting Standards for Business Enterprises (《中國企業會計準則》), as at 30 June

2017 were approximately RMB28,279,000 (equivalent to approximately HK$33,283,000) and RMB13,139,000 (equivalent to approximately HK$15,464,000), respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services, and investment holding.

In recent years, along with the extensive usage of the mobile communication technology of 3G and 4G networks, the traditional telecommunication value-added service business is being continuously developed and transformed. Given the telecommunication solutions and value-added service businesses of the Group are based on the 2G mobile communication technology, which has become less competitive in light of the rapid development of the information technology, the Group is exploring the suitable business opportunities in mobile Internet industry to integrate its advantage in capital resources and hardware distribution and improve its software development capacity with a view to ultimately strengthening the market competitiveness of the Group so as to enhance the sustainable development of the Group.

The Target Company is a high-tech company with the capacity in mobile Internet, online/mobile payment and smart card system software development. As mentioned above, the Target Company is principally engaged in software development and provision of value-added services, which include, among others:

(i) self-developed software products of smart card system, mobile payment system and smart phone applications and after sales maintenance services, which are included in the design, planning and construction of the Citizen Card*（市民卡）system for the cities in the PRC;

(ii) technology services (e.g. providing customisation services for the smart card issuers (e.g. the government departments, the social groups, the telecommunication operators, the operators of the Citizen Card* system and etc.), including the design and development of the tailor-made smart card systems) and operation maintenance services; and

(iii) design and development of the hardware products for the smart card system terminal.

Background of the Citizen Card* system

The Citizen Card* is a real-name smart IC card, through which the cardholders can handle certain personal social affairs and enjoy the public services. The Citizen Card* system is a software system, which is used for the management of the Citizen Card*. The Citizen Card* system is designed to be operated as a platform, through which the service providers (the "**Service Providers**") (including the providers of, where applicable, (i) the government services (e.g. social welfare, medical, cultural education, civil favourable treatment and pension, family planning, real estates and etc.); (ii) the public services (e.g. public transportation, utilities and etc.); and (iii) the related market commercial services) can provide certain basic functions to the end users of the Citizen Card*, e.g. the payment function, identification and reservation function and etc.. The Citizen Card* system is providing a convenient option to the citizens to access to different areas of services, including public service, convenience value-added service (便民增值服務), payment service and etc., and is the core foundation for realising the functions of the Citizen Card*.

The Target Company has participated in the construction projects of the Citizen Card* system since 2005 and has completed the development of the core software system of the Citizen Card* system (the "**Core System**") in 2008. After 2008, the Target Company has performed certain simple software customisation work based on the Core System to cater the different requirements of the customers, and the related costs incurred have been included in the costs of the relevant Citizen Card* system development contracts and were expensed as incurred. The Target Company owns a number of software copyrights in relation to the Citizen Card* system, which comprise mainly the copyrights of the various customised software modules/products registered with the relevant authority from time to time. As such, the relevant development costs incurred in or before 2008, if capitalised, would have been fully amortised prior to 1 January 2014, and thus, no intangible assets in such aspect had been reflected in the financial information of the Target Company for the track record period (i.e. the three years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2017). Based on the improving mobile Internet technology, the Target Company has developed the Citizen Card* system accessible from physical card to virtual card stored in mobile devices, which can, through the data exchange on the Internet, provide various service functions. According to the Vendors, in light of the trend of building smart city as encouraged by the Chinese government, there are a number of cities in the PRC indicating their interest or having plans to build up its own Citizen Card* system and therefore, it is expected that there will be a high demand for the construction and operation services of the Citizen Card* system in the near future.

Construction projects of the Citizen Card* system conducted by the Target Company

The Target Company obtains the construction projects of the Citizen Card* system mainly through tendering process. The major customers of the Target Company are usually the entities where the local governments have interests for the overall management of the Citizen Card* systems, e.g. the Citizen Card* management entities in Nanning City, Yiwu City and Jinhua City. The Target Company usually acquires the information relating to the potential construction needs of the Citizen Card* system of certain cities via its existing customers or its marketing activities, e.g. proactive promotion of the Citizen Card* system to the local government.

Once the Target Company successfully bids the tender, it will then enter into the software development contract with the customer, pursuant to which the Target Company would perform customisation work based on the Core System to cater the different requirements of the different customers. In general, it would usually take less than two years to complete a construction project depending on the project size and the general procedure of a construction project involves taking instructions from the customers and understanding their requirements, customised design and development (including the internal software/product test) based on the Core System, test run of the core system of the Citizen Card* system developed, cooperation with the technical staff of the Service Providers to connect their systems with the Citizen Card* system, primary examination and final examination on the Citizen Card* system conducted by the experts engaged by the customers. The development fee will be normally paid by the customer to the Target Company by installments in different development stages, the terms of which can be varied and subject to the negotiation of the parties. In general, upon the delivery of the software system and/or products, which pass the final examination conducted by the customers, the Target Company can receive approximately 90% of the development fee. The rest 10% of the development fee will be held by the customers during the warranty period, which usually lasts for three years from the date of the final examination, and will be released to the Target Company equally upon the expiry of the second and the third anniversaries of the date of final examination, if no quality issue is found in the software system and/or products. No additional fee will be charged by the Target Company against the customers for their use of the software system and/or products. If there is any modification/improvement the customers want to make to the software system and/or products, it will be dealt with as a separate development project and a new contract will be entered between the parties.

Operation projects of the Citizen Card* system proposed to be conducted by the Target Company

Since the Target Company has participated in construction projects of the Citizen Card* system for years, the Target Company's service and technical capacity have been recognised by its customers. Some local governments have expressed their interest in cooperation with the Target Company in the operation of the Citizen Card* system. The Target Company would also intend to proactively approach the local governments to assess the feasibility and profitability of the Citizen Card* system in their cities.

The Target Company would try to take part in the early stage of the project and cooperate with the local state-owned city service and resource management entity (the "**Citizen Card Management Entity**"), e.g. local city investment group（城投集團）, communications investment group（交投集團）and the broadcast and TV network group（廣電網絡集團）in designing the plan of the Citizen Card* project (including the construction and operation of the Citizen Card* System). After the Target Company successfully bids the project of the Citizen Card* system, the Target Company would form the project company with the Citizen Card Management Entity.

The operation project of the Citizen Card* system is expected to mainly include, among others, the issuance of the Citizen Card*, liaison with and management of the Service Providers and the end users of the Citizen Card*, daily management of the Citizen Card* system, telecommunication top-up service, settlement service and the related customer services.

The revenue of the operation project of the Citizen Card* system is expected to be mainly generated from, among others, the handling fee for the transaction conducted through the Citizen Card*, the sale of the Citizen Cards* (including the co-branded cards jointly issued by the operation company of the Citizen Card* system and the local banks or telecommunication operators) and the commission fee from the Service Providers who sell the products/services (e.g. wealth management products and insurance products) through the Citizen Card* system.

Current situation and future plan of the Target Company

Up to 30 June 2017, the Target Company is merely a software developer for the design, planning and construction of the Citizen Card* system (including, among others, the card management system, the payment settlement system and etc.), and does not involve in the operation of the Citizen Card* system. The Target Company only generates revenue from the construction of the Citizen Card* systems and the related software systems (which are based on the Core System) and no revenue was generated from the operation of the Citizen Card* system during the track record period (i.e. the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017).

If the Shareholders' approval is obtained at the EGM and the Acquisition is completed, the Group will assist the Target Company to bid the construction and/or the operation project of the Citizen Card* system with its advantages in capital resources and hardware distribution. The Target Company expects that its potential fund requirement for the construction projects of the Citizen Card* system in 2018 would be approximately RMB35,000,000, of which RMB15,000,000 is the estimated cost and expense for the work expected to be completed under the existing contracts on hand of the Target Company based on the historical cost and expense incurred by the Target Company relating to the construction projects and RMB20,000,000 is the estimated cost and expense for the new construction projects expected to be obtained by the Target Company in 2018. The Target Company has not participated in the operation of the Citizen Card* system before, but based on the knowledge of the Target Company about the industry and the current situation of the Target Company, the overall estimated fund requirement for an operation project of the Citizen Card* system the Enlarged Group would like to participate in is usually in the range from RMB20,000,000 to RMB30,000,000, which are expected to be mainly the labour costs, marketing costs and rental costs. The Target Company's contribution of the said estimated funds are intended to be funded by internal resources of the Enlarged Group and/or external financing, which will be determined by the Enlarged Group with reference to the actual situation.

The Directors do not have the direct experience in the operation of the Citizen Card* system, however, the Group has been engaged in the provision of telecommunication solutions and telecommunication value-added services for years and the Board has substantial experience in the information technology industry, for example, Mr. Chen Ping, the executive Director, has been involved in the research and development of computer networking and communication platforms, particularly in wireless data communication platforms, for more than 28 years, and Mr. Cai Jiamei, the independent non-executive Director, has been appointed as the independent non-executive director of several information technology listed companies in the PRC and was elected as the chairman of the second the third session of the council of Zhejiang Software Industry Association*（浙江省軟件行業協會）in 2008 and 2012. As the Citizen Card* system is a software system in nature, the experience of the Board in the information technology industry can be transferrable in respect of the management and operation of the Target Company. The Group intends to assign its existing staff and/or newly recruited personnel with relevant expertise and experience to the Target Company to oversee the projects. Through the cooperation with the experienced personnel, the Directors are able to gain the specific knowledge in relation to the operation projects of the Citizen Card* system. Moreover, the Directors would also request the assigned staff to report the progress of the operation projects from time to time so as to monitor the same.

The Group would also utilise its own resources in the telecommunication industry to assist the Target Company to obtain more business cooperation opportunities with the telecommunication operators. In return, the Group can benefit from the technology development capacity of the Target Company to achieve the innovation of the current telecommunication value-added service business of the Group; and grasp the chance to integrate its hardware distribution capacity with the software development capacity of the Target Company to enhance the Group's overall market competitiveness, which allow the Group to gain more commercial value and business opportunities from and tap into the mobile Internet industry through its participation in the research and development, the construction and the potential operation of the Citizen Card* system.

In view of the above, the Directors consider that the Acquisition would provide synergy effect to both the Group and the Target Company and allow them to share their respective strengths in the market. The Directors believe that the terms of the Acquisition are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its results, assets and liabilities would be consolidated into the consolidated financial statements of the Group. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total assets of the Enlarged Group would be approximately RMB131,086,000 (equivalent to approximately HK$154,281,000) and the unaudited pro forma total liabilities of the Enlarged Group would be approximately RMB34,958,000 (equivalent to approximately HK$41,144,000) as at 30 June 2017. The Acquisition has no immediate impact on the earnings of the Group immediately upon Completion. Having taken into account the reasons for and benefits of the Acquisition as mentioned above, the Directors consider that the Acquisition will contribute positively to the revenue base of the Enlarged Group, however, the quantification of such positive impact will largely depend on the market demand for the construction and operation services of the Citizen Card* system in the PRC.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios as defined in the GEM Listing Rules exceed(s) 25% but less than 100%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to the fulfillment of the Conditions, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

C. PROPOSED CHANGE OF USE OF PROCEEDS

References are made to the announcements of the Company dated 9 September 2015, 30 September 2015, 16 November 2015, 23 November 2015 and 1 December 2015, respectively, and the circular of the Company dated 30 September 2015 (the "**Circular**") in relation to, among others, the Placing.

The original intended use of the net proceeds from the Placing by the Company as stated in the Circular and the proposed change of use of the net proceeds (the "**Proposed Change of Use of Proceeds**"), which is subject to the approval of the Shareholders, are summarised in the following table:

No.	Original intended use of the net proceeds	Intended amount of net proceeds to be used	The net proceeds remain unused	Proposed change of use of the net proceeds
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards "Internet +"	Approximately RMB5,000,000	Approximately RMB5,000,000	No change and to be used for the intended purposes
(b)	Expansion of the Group's business network and markets in respect of its business in the provision of telecommunication solutions and telecommunication value-added services in the PRC; development of mobile Internet industry services	Approximately RMB6,000,000	Approximately RMB6,000,000	To be used to settle the Consideration for the Acquisition
(c)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	No change and to be used to settle the Consideration for the Acquisition

No.	Original intended use of the net proceeds	Intended amount of net proceeds to be used	The net proceeds remain unused	Proposed change of use of the net proceeds
(d)	General working capital	Approximately RMB21,000,000	Approximately RMB9,650,000	No change and to be used for the intended purposes

As disclosed in the circular of the Company dated 30 September 2015, the net proceeds allocated for item (a) above (the "**Proceeds (a)**") were for the establishment of a new research and development centre (the "**R&D Centre**") and a new product innovation centre (the "**Innovation Centre**", together with the R&D Centre, the "**Centres**"), including the recruitment of the professional personnel and the related research and development as well as market research costs. Considering that the Group had unsuccessful experience in the placing of new H Shares under the specific mandate in April 2015 and the Placing might or might not succeed at the material time, the Group therefore also had the intention to set up the Centres by using its internal resources and to use the Proceeds (a) in the expansion of the Centres for the development of enterprises business platforms.

The Innovation Centre and the R&D Centre were set up by the Group in 2015 and 2016, respectively, both in the preliminary stage due to lack of core human resources, by using its internal resources. A primary version of the business platform was later completed, through which, as disclosed in the circular of the Company dated 30 September 2015, the Group intended to implement e-commerce services for enterprises by assembling the corporations and enterprises customers of its existing traditional telecommunication value-added service products, such as "SMS Business Cards*（短信名片）", "114 Business Information*（114商情業務）", "Bai Shi Tong Alliance*（號碼百事通）", providing various kinds of mobile "Internet +" services including "Weixin Public Platform*（微信公眾平台）" and research and development of mobile applications. The Group would like to invest the Proceeds (a) into the development of the primary version of the business platform to make it become a mature product if the feedbacks from the market thereon were positive.

However, due to the change of the market in the PRC (i.e. the rapid development of the mobile Internet in the recent two years), the traditional telecommunication value-added services of the Group have shrunk and the Group experienced the loss of the clientele for the traditional telecommunication value-added services, which resulted in the decline in demand for the business platform originally proposed to be developed by Group. As such, implementation of the original market plan of the Group was not satisfactory and did not achieve its expected outcome. In addition, taking into account the change of the controlling shareholder of the Company in 2017, the management of the Group had determined to suspend the original market plan and the operation and expansion of the Centres. As the intended purpose of Proceeds (a) is mainly for the research and development of new products for corporate mobile Internet with a view to transforming towards "Internet +", which is in line with the current trend of development of mobile Internet, the Group does not intend to change the aforesaid intended use. When the Group's new business plan relating to telecommunication solutions, telecommunication value-added services and the transformation to the "Internet +" matures, the Group will utilise the Proceeds (a). The

Group is still in the process of reviewing the original market plan and identifying suitable business opportunity and therefore, there is currently no expected timetable for the utilisation of the Proceeds (a).

In respect of the net proceeds allocated for item (b) above, the Group originally intended to expand its current businesses of the provision of telecommunication solutions and telecommunication value-added services in the PRC, and develop the mobile Internet business. However, due to the change of the market in the PRC, the Group intends to use such part of net proceeds to settle part of the consideration for the Acquisition as it considers that the Acquisition would enhance its development in mobile Internet industry. The Group currently has no other business expansion plans besides the Acquisition.

The Board has considered the impact of the Proposed Change of Use of Proceeds on the Group's business and believes that, in view of the Group's operation and business updates and the reasons and benefits for the Acquisition, the reallocation of part of the unutilised net proceeds will facilitate efficient allocation of financial resources and strengthen the future development of the Group, and it is appropriate and in the best interests of the Company and the Shareholders as a whole.

For the avoidance of doubts, the Completion is not conditional on the obtaining of the Shareholders' approval on the Proposed Change of Use of Proceeds. If the Proposed Change of Use of Proceeds is not approved by the Shareholders, the Group will fund the relevant part of the Consideration by other internal resources of the Group.

However, as the main purpose for the Proposed Change of Use of Proceeds is to partially finance the Consideration, if the Acquisition is not approved by the Shareholders, the resolution for the Proposed Change of Use of Proceeds will not proceed.

D. EGM

The EGM will be held at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC on Monday, 29 January 2018 at 10:00 a.m. for the Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition and other transactions contemplated under the Equity Transfer Agreement and the Proposed Change of Use of Proceeds.

In compliance with the GEM Listing Rules, the resolutions will be voted on by way of poll at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has any material interest in the Acquisition and the Proposed Change of Use of Proceeds and no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's mailing address at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang

Province, the PRC (for the holders of Domestic Shares), or the office of the Company's H Share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares) as soon as possible and in any event, not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

A reply slip for the EGM has also been enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed reply slip to the mailing address of the Company as detailed above (for the holders of Domestic Shares), or to the office of the Company's H Share registrar, Hong Kong Registrars Limited, as detailed above (for the holders of H Shares) on or before Tuesday, 9 January 2018 in accordance with the instructions printed thereon.

E. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 30 December 2017 to Monday, 29 January 2018, both days inclusive, in order to determine the entitlement to attend the EGM. All properly completed H Shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 December 2017.

F. RECOMMENDATION

The Directors believe that the terms of the Acquisition and the Proposed Change of Use of Proceeds are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

G. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
Shenghua Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 December 2014, 2015 and 2016, respectively, have been set out in the audited consolidated financial statements of the Group in the annual reports of the Company for the three years ended 31 December 2014 (from pages 23 to 67), 2015 (from pages 28 to 72) and 2016 (from pages 35 to 72).

Details of the financial information of the Group for the six months ended 30 June 2017 has been set out in the unaudited condensed interim financial statements of the Group in the interim report of the Company for the six months ended 30 June 2017 (from pages 2 to 11).

All annual reports and interim report of the Company have been posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.landpage.com.cn). Please visit the websites of the Stock Exchange and the Company for more details.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Enlarged Group did not have any indebtedness. Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds and the effect of the Acquisition, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group has been providing telecommunication value-added service to 6 companies under the same telecommunication operator group, details of which are set out as below:

Company	Valid contract period
Company A	Valid till 28 February 2018, which was previously renewed for one year; the parties may negotiate the new contract before the expiry of the existing contract
Company B	Valid till 27 June 2018, which was previously renewed for one year and will automatically be renewed for another one year if no objection is raised by the parties
Company C	Valid till 31 January 2018, which was previously renewed three times, one year each, and will automatically be renewed annually if no objection is raised by the parties
Company D	Valid till 31 December 2017, which was previously renewed five times, one year each, and will automatically be renewed annually if no objection is raised by the parties
Company E	Valid till 30 June 2018, which has not been renewed previously and does not contain the auto-renewal clause; the parties may negotiate the new contract before the expiry of the existing contract
Company F	Expired but the parties still perform the contract based on the original terms; new contract is under negotiation and expected to be signed in December 2017

These businesses at various locations were in operation at the sites concerned. At the same time, the Group's trading of hardware and computer software business maintained a stable source of turnover. As disclosed in the Letter from the Board in this circular, the Group is exploring the suitable business opportunities in mobile Internet industry to strengthen the market competitiveness of the Group and enhance the sustainable development of the Group.

After the completion of the Acquisition, it is expected that the Group can benefit from the technology development capacity of the Target Company to achieve the innovation of its current telecommunication value-added service business; and grasp the chance to integrate its hardware distribution capacity with the software development capacity of the Target Company to enhance the Group's overall market competitiveness, which allow the Group to gain more commercial value and business opportunities from and tap into the mobile Internet industry through its participation in the research and development, the construction and the potential operation of the Citizen Card* system.

Besides the Acquisition, the Group will continue exploring new business or product with profitability in the mobile Internet industry, which will have positive effects on the improvement of the financial performance of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

15 December 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHENGHUA LANDE SCITECH LIMITED

INTRODUCTION

We report on the historical financial information of Increator Technology Co., Ltd. (the "Target Company") set out on pages II-4 to II-32, which comprises the statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the three years ended 31 December 2016 and the six months ended 30 June 2017 (the "Relevant Periods") and a summary of significant policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information as set out on pages II-4 to II-32 forms an integral part of this report, which has been prepared for inclusion in the circular of the Shenghua Lande Scitech Limited (the "Company") dated 15 December 2017 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Acquisition").

DIRECTORS' RESPONSIBILITIES FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Target Company's financial performance and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on pages II-3 have been made.

DIVIDENDS

We refer to note 10 to the Historical Financial Information which states that no dividends have been declared and paid by the Target Company in respect of the Relevant Periods.

A. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The statutory financial statements of the Target Company for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the applicable accounting principles and regulations applicable in the People's Republic of China (the "PRC") and were audited by 浙江南方會計師事務所有限公司.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information was based, were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	22,801	17,233	31,703	19,014	21,711
Cost of sales		(18,413)	(18,016)	(23,392)	(15,123)	(16,339)
Gross profit (loss)		4,388	(783)	8,311	3,891	5,372
Other income	*6*	1,766	1,818	1,173	529	2,845
Selling and distribution expenses		(2,423)	(1,838)	(1,658)	(848)	(1,033)
Administrative and other expenses		(5,053)	(4,571)	(4,911)	(2,367)	(4,794)
Finance cost	*7*	–	–	–	–	(50)
(Loss) profit before tax		(1,322)	(5,374)	2,915	1,205	2,340
Income tax expense	*8*	–	–	–	–	–
(Loss) profit and other comprehensive (expense) income for the year/period	*9*	(1,322)	(5,374)	2,915	1,205	2,340

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
Non-current assets					
Plant and equipment	*11*	234	119	152	194
Available-for-sale financial asset	*12*	–	–	–	8,000
		234	119	152	8,194
Current assets					
Amounts due from customers on services contracts	*13*	1,982	2,244	5,728	12,268
Trade and retention receivables	*14*	10,594	5,984	1,323	2,340
Deposits, prepayments and other receivables	*15*	2,739	4,855	6,112	6,375
Amounts due from directors	*16*	331	449	503	793
Amount due from immediate holding company	*17*	3,493	3,493	–	–
Bank balances and cash	*18*	3,819	5,476	7,898	8,757
		22,958	22,501	21,564	30,533
Current liabilities					
Trade payables	*19*	2,648	4,743	7,460	11,793
Other payables and accruals	*19*	1,357	887	1,716	11,294
Provision	*20*	–	–	–	760
Amounts due to ultimate holding company	*17*	4,188	7,365	–	–
		8,193	12,995	9,176	23,847
Net current assets		14,765	9,506	12,388	6,686
		14,999	9,625	12,540	14,880
Capital and reserve					
Paid-in capital	*21*	20,000	20,000	20,000	20,000
Accumulated losses		(5,001)	(10,375)	(7,460)	(5,120)
		14,999	9,625	12,540	14,880

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2014	20,000	(3,679)	16,321
Loss and total comprehensive expense for the year	–	(1,322)	(1,322)
At 31 December 2014 and 1 January 2015	20,000	(5,001)	14,999
Loss and total comprehensive expense for the year	–	(5,374)	(5,374)
At 31 December 2015 and 1 January 2016	20,000	(10,375)	9,625
Profit and total comprehensive income for the year	–	2,915	2,915
At 31 December 2016 and 1 January 2017	20,000	(7,460)	12,540
Profit and total comprehensive income for the period	–	2,340	2,340
At 30 June 2017	20,000	(5,120)	14,880

	Paid-in capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2016 (audited)	20,000	(10,375)	9,625
Profit and total comprehensive income for the period	–	1,205	1,205
At 30 June 2016 (unaudited)	20,000	(9,170)	10,830

STATEMENT OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
(Loss) profit before tax	(1,322)	(5,374)	2,915	1,205	2,340
Adjustments for:					
Bank interest income	(30)	(12)	(11)	(4)	(9)
Finance cost	–	–	–	–	50
Depreciation of plant and equipment	130	98	63	37	38
Government grants	(1,620)	(1,806)	(1,129)	(525)	(2,836)
Impairment loss on trade receivables	856	150	456	–	–
(Reversal of impairment) impairment loss on other receivables	(116)	20	(33)	–	579
Loss on written off plant and equipment	–	19	–	–	–
Provision for legal claim	–	–	–	–	760
Operating cash flows before movements in working capital	(2,102)	(6,905)	2,261	713	922
Increase in amounts due from customers on services contracts	(1,982)	(262)	(3,484)	(17,691)	(6,540)
Decrease (increase) in trade and retention receivables	3,879	4,460	4,205	7,355	(1,017)
(Increase) decrease in deposits, prepayments and other receivables	(613)	(2,136)	1,498	2,014	(842)
(Decrease) increase in trade payables	(1,418)	2,095	(3,756)	4,089	4,333
(Decrease) increase in other payables and accruals	(899)	(470)	609	(75)	9,578
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(3,135)	(3,218)	1,333	(3,595)	6,434
INVESTING ACTIVITIES					
Purchase of plant and equipment	(109)	(2)	(96)	(18)	(80)

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Advance to) repayment from directors	(10)	(118)	(54)	85	(290)
Repayment from immediate holding company	200	–	771	494	–
Interest received	30	12	11	4	9
Purchase of available-for-sale financial asset	–	–	–	–	(8,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	111	(108)	632	565	(8,361)
FINANCING ACTIVITIES					
Advance from (repayment to) ultimate holding company	1,887	3,177	(672)	(227)	–
Government grants received	1,620	1,806	1,129	525	2,836
Interest paid	–	–	–	–	(50)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,507	4,983	457	298	2,786
Net increase (decrease) in cash and cash equivalents	483	1,657	2,422	(2,732)	859
Cash and cash equivalents at beginning of year/period	3,336	3,819	5,476	5,476	7,898
Cash and cash equivalents at end of year/period	3,819	5,476	7,898	2,744	8,757

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was established in the People's Republic of China (the "PRC") on 18 September 2002 with limited liability. During the years ended 31 December 2014 and 2015 and up to 19 October 2016, its immediate holding company is 浙江浙大網新軟件產業集團有限公司 and its ultimate holding company is 浙大網新科技股份有限公司. From 20 October 2016 to the date of this report, its ultimate controlling parties are Mr. Zhang Xu Guang and 杭州卡盟網絡科技有限公司. The address of the registered office and principal place of business of the Target Company is located at 10/F., Ruili Building, No. 96, Huaxing Road, Xihu District, Hangzhou, Zhejiang and Room A, 11/F., Insigma Software Park, No. 18, Xiyuan 1st Road, Xihu District, Hangzhou, Zhejiang, respectively.

During the Relevant Periods, the Target Company was principally engaged in computer software development and provision of value-added services.

The financial statements are presented in RMB, which is the same as the functional currency of the Target Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied all new and revised IFRSs, International Accounting Standards, amendments and interpretations (collectively "IFRSs") issued by the IASB which are effective for the accounting periods beginning on 1 January 2017 throughout the Relevant Periods.

The Target Company has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle, except for amendments to IFRS 12[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 40	Transfer of Investment Property[1]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.

Except as described as below, the directors of the Target Company anticipate that the application of other new and revised IFRSs will have no material impact on financial statements of the Target Company in future.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Target Company anticipate that the adoption of IFRS 9 (2014) in the future may have an impact on the Target Company's results and financial position, including the measurement of financial assets and disclosures. For instance, the Target Company will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Target Company classifies and measures its financial assets, and will require the Target Company to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. During the Relevant Periods, all of the Target Company's financial assets and financial liabilities were carried at amortised cost without significant impairment on the former, the implementation of IFRS 9 is not expected to result in significant impact on the Target Company's financial position and result of operations.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Target Company anticipate that the application of IFRS 15 in the future may have resulted in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under IFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detail review is completed.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 "Property, Plant and Equipment", while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 Leases and the related Interpretations when it becomes effective.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The directors of the Target Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Target Company's results.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRSs issued by the IASB.

The financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received for services provided in the normal course of business, net of sales related taxes and discounts.

The policy for the recognition of revenue from computer software development is described in the accounting policy for contracts for services below.

Interest income from a financial asset is recognised when it is probably that the economic benefits will flow to the Target Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts – computer software development

Construction contracts are contracts specifically negotiated with a customer for development of computer software, where the customer is able to specify the major structural elements of the design.

Where the outcome of computer software can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, with reference to the certified stage of completion mutually agreed between the Target Company and the customers, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers on service contracts. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers on service contracts. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and retention receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Target Company in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss) profit before tax" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand and deposits with an original maturity of within three months.

For the purpose of the statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Company's financial assets are classified into loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and retention receivables, deposits and other receivables, amounts due from directors, amount due from immediate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Target Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Certain categories of financial assets, such as trade and other receivables, are assessed to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Target Company's financial liabilities are classified into other financial liabilities.

Other financial liabilities including trade payables, other payables and accruals and amounts due to ultimate holding company are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the assets expire, or when the Target Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Target Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 3, the Target Company's directors are required to make judgements, estimates and assumptions about amounts of assets, liabilities, revenue and expenses reported and disclosures made in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The followings are the key assumptions concerning the futures and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

The Target Company recognises contract revenue and profit of a construction contract in relation to computer software development according to the percentage of completion mutually agreed between the counter-parties including the assessment of profitability of on-going construction contracts as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.

Impairment of trade receivables and other receivables

When there is objective evidence of impairment loss, the Target Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, 2015, 2016 and 30 June 2017, the carrying amounts of trade receivables, are approximately RMB10,594,000, RMB5,885,000, RMB1,250,000 and RMB2,185,000 respectively, net of accumulated impairment losses of approximately RMB4,258,000, RMB4,408,000, RMB4,864,000 and RMB4,864,000 respectively. As at 31 December 2014, 2015, 2016 and 30 June 2017, the carrying amount of other receivables are approximately RMB1,722,000, RMB2,762,000, RMB4,924,000 and RMB4,746,000 respectively, net of accumulated impairment losses of approximately RMB 6,065,000, RMB6,085,000, RMB6,052,000 and RMB6,631,000 respectively.

5. REVENUE

Revenue comprises income from computer software development, net of sales related taxes and discounts during the year/period.

The following is an analysis of the Target Company's revenue during the Relevant Periods and six months ended 30 June 2016.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Computer software development	22,801	17,233	31,703	19,014	21,711

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	30	12	11	4	9
Government grants *(note a)*	1,620	1,806	1,129	525	2,836
Reversal of impairment on other receivables	116	–	33	–	–
	1,766	1,818	1,173	529	2,845

Note a: Government grants of approximately RMB1,620,000, RMB1,806,000, RMB1,129,000, RMB525,000 and RMB2,836,000 have been received regarding research and development costs for the three years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 respectively. The grants are in respect of encouragement of performance of research and development activities with no unfulfilled conditions.

7. FINANCE COST

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interests on discounted bills	–	–	–	–	50

8. INCOME TAX EXPENSES

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% during the Relevant Periods and the six months ended 30 June 2016.

The income tax expenses for the Relevant Periods and six months ended 30 June 2016 can be reconciled to the (loss) profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax	(1,322)	(5,374)	2,915	1,205	2,340
Tax at the domestic income tax rate of 25%	(331)	(1,344)	729	301	585
Tax effect of preferential tax rate	132	536	(292)	(121)	(234)
Tax effect of super deduction of research and development expenses *(note a)*	(180)	(286)	(762)	(535)	(749)
Tax effect of expenses not deductible for tax purpose	266	474	109	30	216
Tax effect of income not taxable for tax purpose	(31)	–	(5)	–	–
Tax effect of tax losses not recognised	144	619	221	325	182
Income tax expenses for the year/period	–	–	–	–	–

Note a: The Target Company is subject to corporate income tax at the rate of 25%, which was qualified as High and New Technology Enterprise in 2014 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Target Company has made its best estimate for the Super Deduction to be claimed for its assessable profits for the Relevant Periods and the six months ended 30 June 2016.

At at 31 December 2014, 2015, 2016 and 30 June 2016 and 2017, the Target Company has unused tax losses of approximately RMB960,000, RMB5,082,000, RMB6,553,000, RMB7,244,000 and RMB7,768,000 respectively available for offset against future profits. The expiry dates of the tax losses are analysed as follows:

	At 31 December			At 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Between 1 to 2 years	–	–	–	–	960
Between 2 to 3 years	–	–	960	960	4,122
Between 3 to 4 years	–	960	4,122	4,122	1,471
Between 4 to 5 years	960	4,122	1,471	2,162	1,215
	960	5,082	6,553	7,244	7,768

No deferred tax asset had been recognised in respect of the tax losses due to the unpredictability of future taxable profit stream.

9. (LOSS) PROFIT FOR THE YEAR/PERIOD

(Loss) profit for the year/period has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Directors' emoluments	336	370	549	268	446
Salaries and allowances (excluding directors' emoluments)	11,083	11,154	11,675	6,287	8,877
Retirement benefits scheme contributions (excluding directors' emoluments)	1,207	1,228	1,188	559	912
Total staff costs	12,626	12,752	13,412	7,114	10,235
Depreciation of plant and equipment	130	98	63	37	38
Operating lease rental for office premises	921	886	888	444	442
Research and development costs	585	797	574	326	686
Impairment loss on trade receivables	856	150	456	–	–
Impairment loss on other receivables	–	20	–	–	579
Loss on written off plant and equipment	–	19	–	–	–

10. DIVIDEND

No dividend was paid or proposed by the Target Company during the Relevant Periods and for the six months ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period.

11. PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Office furniture, fixtures and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2014	489	300	592	1,381
Additions	–	–	109	109
At 31 December 2014	489	300	701	1,490
Additions	–	–	2	2
Written off	(489)	–	–	(489)
At 31 December 2015	–	300	703	1,003
Additions	–	–	96	96
At 31 December 2016	–	300	799	1,099
Additions	–	–	80	80
At 30 June 2017	–	300	879	1,179
ACCUMULATED DEPRECIATION				
At 1 January 2014	470	285	371	1,126
Charged for the year	–	–	130	130
At 31 December 2014	470	285	501	1,256
Charged for the year	–	–	98	98
Written off	(470)	–	–	(470)
At 31 December 2015	–	285	599	884
Charged for the year	–	–	63	63
At 31 December 2016	–	285	662	947
Charged for the period	–	–	38	38
At 30 June 2017	–	285	700	985
CARRYING VALUES				
At 31 December 2014	19	15	200	234
At 31 December 2015	–	15	104	119
At 31 December 2016	–	15	137	152
At 30 June 2017	–	15	179	194

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	5 years or over the lease term, whichever is shorter
Motor vehicles	8 years
Office furniture, fixtures and other equipment	3-5 years

12. AVAILABLE-FOR-SALE FINANCIAL ASSET

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment in the PRC	–	–	–	8,000

The above unlisted equity investment represents investment in a partnership (the "Partnership") established in the PRC which is principally engaged in investment holding. The Target Company is a limited partner of the Partnership with 53.3334% equity interest. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Target Company are of the opinion that its fair value cannot be measured reliably. This investment is subsequently disposed in November 2017.

13. AMOUNTS DUE FROM CUSTOMERS ON SERVICES CONTRACTS

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus attributable profit	78,260	21,617	16,882	26,705
Progress billings to date	(76,278)	(19,373)	(11,154)	(14,437)
Due from customers on services contracts	1,982	2,244	5,728	12,268

14. TRADE AND RETENTION RECEIVABLES

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	14,852	10,293	6,114	7,049
Less: Impairment losses	(4,258)	(4,408)	(4,864)	(4,864)
	10,594	5,885	1,250	2,185
Retention receivables	–	99	73	155
	10,594	5,984	1,323	2,340

Included in the trade receivables are amounts due from related parties amounting to approximately RMB3,503,000, RMB2,315,000, nil and nil for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2017 respectively.

There were no specific credit period granted to customers. Ageing analysis of the trade and retention receivables net of impairment losses as at the end of each of the reporting periods, presented based on the invoice date which approximate to revenue recognition date is as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	6,532	2,208	135	–
31 to 60 days	360	88	199	1,434
61 to 90 days	–	58	49	–
91 to 180 days	1,676	–	–	16
181 to 365 days	1,071	1,107	728	276
Over 365 days	955	2,523	212	614
	10,594	5,984	1,323	2,340

The Target Company does not hold any collateral over its trade and retention receivables. Based on past experience, the directors of the Target Company consider that there has not been significant change in credit quality of trade and retention receivables and there is no recent history of default, therefore the amounts are considered recoverable.

The ageing analysis of trade receivables which are past due but not impaired based on the due date:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	360	88	199	2,761
31 to 60 days	–	58	49	–
61 to 90 days	1,676	–	–	16
91 to 180 days	1,071	1,107	728	276
181 to 365 days	463	300	15	–
More than 1 year	492	2,223	197	614
	4,062	3,776	1,188	3,667

Included in the Target Company's trade receivables balance are debtors with aggregate carrying amount of approximately RMB4,062,000, RMB3,776,000, RMB1,188,000 and RMB3,667,000 which are past due as at the end of each of the reporting periods for which the Target Company has not provided for impairment loss.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Company. 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.

Movements in the impairment losses of trade receivables are as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	3,402	4,258	4,408	4,864
Impairment loss recognised during the year/period	856	150	456	–
Balance at end of the year/period	4,258	4,408	4,864	4,864

Before accepting any new customer, the Target Company will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. Included in the impairment losses are individually impaired trade receivables with an aggregate balance of approximately RMB4,258,000, RMB4,408,000, RMB4,864,000 and RMB4,864,000 for the Relevant Periods which were long outstanding.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	7,787	8,847	10,976	11,377
Less: Impairment losses	(6,065)	(6,085)	(6,052)	(6,631)
	1,722	2,762	4,924	4,746
Prepayments	940	2,071	1,164	1,603
Deposits	77	22	24	26
	2,739	4,855	6,112	6,375

Movement in the impairment losses of other receivables:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	6,181	6,065	6,085	6,052
Impairment loss recognised during the year/period	–	20	–	579
Amounts recovered during the year/period	(116)	-	(33)	–
Balance at end of the year/period	6,065	6,085	6,052	6,631

Included in the other receivables are balances due from staffs of approximately RMB786,000, RMB333,000, RMB342,000 and RMB258,000 for the Relevant Periods respectively. The amounts are unsecured, interest-free and repayable on demand.

Included in the impairment losses are individually impaired other receivables with an aggregate balance of approximately RMB6,065,000, RMB6,085,000, RMB6,052,000 and RMB6,631,000 as at the Relevant Periods which were long outstanding. Management considers the unimpaired balances are fully recoverable as the recoverable amounts of the relevant debtors are equal to the carrying amounts of such balances. The Target Company did not hold any collateral over these balances.

16. AMOUNTS DUE FROM DIRECTORS

As at 31 December 2014

	Maximum amount outstanding during the year *RMB'000*	Amounts due from directors *RMB'000*
Zhang Xu Guang (張旭光)	299	299
Jiang Ning Ning (蔣寧寧)	76	32
		331

As at 31 December 2015

	Maximum amount outstanding during the year *RMB'000*	Amounts due from directors *RMB'000*
Zhang Xu Guang (張旭光)	303	300
Jiang Ning Ning (蔣寧寧)	173	149
		449

As at 31 December 2016

	Maximum amount outstanding during the year *RMB'000*	Amounts due from directors *RMB'000*
Zhang Xu Guang (張旭光)	300	300
Jiang Ning Ning (蔣寧寧)	219	156
Wu Ben Lin (吳本林)	51	47
		503

As at 30 June 2017

	Maximum amount outstanding during the period *RMB'000*	Amounts due from directors *RMB'000*
Zhang Xu Guang (張旭光)	391	391
Jiang Ning Ning (蔣寧寧)	292	254
Wu Ben Lin (吳本林)	148	148
		793

The amounts due from directors are unsecured, non-interesting bearing and repayable on demand.

17. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/(TO) ULTIMATE HOLDING COMPANY

	At 31 December						At 30 June	
	2014		2015		2016		2017	
	Maximum amount outstanding	Amounts due from immediate holding company	Maximum amount outstanding	Amounts due from immediate holding company	Maximum amount outstanding	Amounts due from immediate holding company	Maximum amount outstanding	Amounts due from immediate holding company
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
浙江浙大網新軟件產業集團有限公司	3,493	3,493	3,493	3,493	3,493	–	–	–

The amount due from immediate holding company was unsecured, non-interest bearing and repayable on demand. It was the immediate holding company of the Target Company up to 19 October 2016, when it disposed its entire equity interest in the Target Company to Mr. Zhang Xu Guang.

The amount due to ultimate holding company was unsecured, non-interest bearing and repayable on demand. It was the ultimate holding company of the Target Company up to 19 October 2016, when the immediate holding company disposed its entire equity interest in the Target Company to Mr. Zhang Xu Guang.

18. BANK BALANCES AND CASH

Bank balances carried interest rate at average market rate range from 0.30% to 0.35% per annum for the Relevant Periods.

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,648	4,743	7,460	11,793
Other payables	630	209	700	530
Accruals	45	38	40	75
Receipt in advance	682	640	976	10,689
Other payables and accruals	1,357	887	1,716	11,294

Included in the trade payables are amounts due to related parties amounting to approximately RMB819,000, RMB819,000, nil and nil as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	247	2,010	5,287	8,107
31 – 60 days	427	13	120	557
61 – 90 days	41	172	1	–
91 – 180 days	332	–	–	143
181 – 365 days	215	55	89	1,008
Over 1 year	1,386	2,493	1,963	1,978
	2,648	4,743	7,460	11,793

The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

20. PROVISION

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for legal claim	–	–	–	760

	Litigation
	RMB'000
At 31 December 2014, 2015, 2016 and 1 January 2017	–
Provision for litigation in the period	760
At 30 June 2017	760

21. PAID-IN CAPITAL

	Amount
	RMB'000
Registered and paid-in capital:	
At 1 January 2014, 31 December 2014, 2015 and 2016 and 30 June 2017	20,000

22. CONTINGENT LIABILITIES

During the year 2016, the Target Company was named as a respondent in an arbitration proceeding before Hangzhou Arbitration Commission（杭州仲裁委員會）in respect of an alleged breach of contractual undertakings. The case has been settled and the relevant amounts have been provided in the financial statements.

23. OPERATING LEASE COMMITMENTS

The Target Company as lessee

The Target Company leases its office premises under operating lease arrangements. Lease is negotiated for a term of one year. At the end of the reporting periods, the Target Company had commitments for future lease payments under non-cancellable operating leases which fall due as follow:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	413	413	413	413

24. RELATED PARTY TRANSACTIONS

Related parties	Nature of transactions	*Notes*	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
浙大網新科技股份有限公司	Rental expense paid	*1, 3*	–	886	720	444	–
快威科技集團有限公司	Revenue from computer software development	*2, 3*	2,317	1,216	160	160	–
浙江浙大網新軟件產業集團有限公司	Revenue from computer software development	*2, 3*	1,019	454	–	–	–
上海網新新思軟件有限公司	Subcontracting expense	*2, 3*	128	–	–	–	–
北京新思軟件技術有限公司	Subcontracting expense	*2, 3*	184	–	–	–	–

Notes:

1. 浙大網新科技股份有限公司 was the ultimate holding company of the Target Company. The relationship was ceased on 20 October 2016.

2. 浙大網新科技股份有限公司 was the common shareholders of 快威科技集團有限公司, 浙江浙大網新軟件產業集團有限公司, 上海網新新思軟件有限公司 and 北京新思軟件技術有限公司. The relationship was ceased on 20 October 2016.

3. The above transactions are principally agreed by arm's length commercial negotiations according to the principles of fairness and reasonableness between the Target Company and the relevant related parties with reference to the prevailing market rates of rentals of similar premises and/or computer software development projects from time to time.

Compensation of key management personnel

The remuneration of directors during the reporting periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short-term benefits	307	310	489	237	402
Post-employment benefits	59	60	60	31	44
	366	370	549	268	446

The remuneration of directors was determined by making reference to the performance of individual and market trends.

25. RETIREMENT BENEFIT SCHEMES

The employees of the Target Company are required to participate in a state-managed retirement benefit schemes operated by the PRC governments. The Target Company is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme.

The total cost charged to statement of profit or loss and other comprehensive income of approximately RMB1,266,000, RMB1,288,000, RMB1,248,000, RMB956,000 and RMB590,000 represent contributions payable to the scheme by the Target Company for the Relevant Periods and the six months ended 30 June 2016 respectively.

26. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Company consists of bank balances and cash and equity attributable to owners of the Target Company, comprising paid-in capital.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with the paid-in capital. Based on recommendations of the directors of the Target Company, the Target Company will balance its overall capital structure through the new paid-in capital. The directors of the Target Company will also consider the raise of additional borrowings as additional fund.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale investment	–	–	–	8,000
Loans and receivables (including cash and cash equivalents)	22,018	20,430	20,400	28,930
Financial liabilities				
At amortised cost	7,511	12,355	8,200	13,158

b. Financial risk management objectives and policies

The Target Company's major financial instruments include available-for-sale financial asset, trade and retention receivables, deposits and other receivables, amounts due from directors, amount due from immediate holding company, bank balances and cash, trade payables, other payables and accruals and amounts due to ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Target Company's exposure to cash flow interest rate risk in relation to variable-rate bank balances.

In view of the Target Company's bank balances at market rate are short-term in nature, the exposure of the interest rate risk is minimal and no sensitivity analysis to cash flow interest rate risk is presented.

(ii) Credit risk

The carrying amounts of available-for-sale financial asset and trade receivables, deposits and other receivables, amounts due from directors, amount due from immediate holding company and bank balances and cash represented the Target Company's maximum exposure to credit risk in relation to financial assets. The Target Company's concentration of credit risk by geographical location is solely in the PRC, which accounted for 100% of trade and other receivables as at 31 December 2014, 2015 and 2016 and 30 June 2017.

The directors of the Target Company considers that the Target Company has concentration of credit risk as contributions from the largest customers accounted for 10%, 2%, nil and 20% as at 31 December 2014, 2015 and 2016 and 30 June 2017, while 18%, 22%, 8% and 34% of the total trade receivables was due from the Target Company's top five largest customers, respectively.

In order to minimise the credit risk, the management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

The credit risk on bank balances is limited because these balances are maintained with state-owned banks or other creditworthy financial institutions in the PRC.

(iii) Liquidity risk

In the management of liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The Target Company regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The directors of the Target Company are satisfied that the Target Company will be able to meet in full its financial obligations as and when fall due in the foreseeable future. The Target Company's contractual maturity for all its financial liabilities, based on the agreed repayment terms and the undiscounted cash flows on the earliest date that the Target Company can be required to pay, is within one year or on demand.

c. Fair values of financial assets and financial liabilities

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost or at cost in the statement of financial position as at 31 December 2014, 2015, 2016 and 30 June 2017 are not materially different from their fair values due to their short maturities.

28. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the amount due from immediate holding company of RMB2,722,000 was transferred to other receivables and the amounts due to ultimate holding company of RMB6,693,000 was transferred to trade and other payables as both the companies are no longer immediate holding company and ultimate holding company of the Target Company since 20 October 2016.

C. EVENT AFTER THE REPORTING PERIOD

On 8 November 2017, the available-for-sale financial asset was subsequently sold to an independent third party at a consideration of RMB8,000,000.

D. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of the report, no audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 June 2017.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623
Hong Kong

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed major transaction in relation to the proposed acquisition of the entire equity interest in Increator Technology Co., Ltd. (the "Target Company") (the "Proposed Acquisition") by Shenghua Lande Scitech Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as the "Group") (together with the Target Company hereinafter referred to as the "Enlarged Group"), the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the Proposed Acquisition on the Group's financial position as at 30 June 2017 as if the Proposed Acquisition had taken place on 30 June 2017.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on (i) the information on the unaudited condensed statement of assets and liabilities of the Group as at 30 June 2017 which has been extracted from the published interim report of the Group for the period ended 30 June 2017; (ii) the information on the audited statement of assets and liabilities of the Target Company as at 30 June 2017, which has been extracted from the accountants' report set out in Appendix II to this circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate the assets and liabilities of the Enlarged Group as if the Proposed Acquisition had taken place on 30 June 2017.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described below in the accompanying notes that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the directors of the Company based on certain assumptions and estimates and for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed as at 30 June 2017 or at any future dates.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group As at 30 June 2017	The Target Company As at 30 June 2017	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Intangible assets	–	–	10,500		10,500
Plant and equipment	710	194			904
Available-for-sale financial asset	–	8,000			8,000
Goodwill	–	–	1,395		1,395
	710	8,194			20,799
Current assets					
Inventories	2,214	–			2,214
Amounts due from customers on service contracts	–	12,268			12,268
Trade and retention receivables	60,304	2,340			62,644
Deposits, prepayments and other receivables	5,159	6,375			11,534
Amounts due from directors	–	793			793
Bank balances and cash	38,277	8,757	(25,200)	(1,000)	20,834
	105,954	30,533			110,287
Current liabilities					
Trade payables	1,073	11,793			12,866
Other payables and accruals	6,754	11,294			18,048
Provision	–	760			760
Income tax payables	1,709	–			1,709
	9,536	23,847			33,383
Net current assets	96,418	6,686			76,904
Non-current liabilities					
Deferred tax liabilities	–	–	1,575		1,575
Net assets	97,128	14,880			96,128

Notes:

(1) The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published interim report for the six months ended 30 June 2017.

(2) The financial information of the Target Company is extracted from audited statement of financial position of the Target Company as at 30 June 2017 as set out in Appendix II to this circular.

(3) Pursuant to the acquisition agreement in relation to the Proposed Acquisition, Shenghua Lande Scitech Limited conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the entire equity interest in the Target Company at total consideration of RMB25,200,000.

The proforma adjustments reflect the fair value adjustments to the identifiable assets and liabilities of the Target Company and the allocation of the cost of the Proposed Acquisition to the identifiable assets and liabilities of the Target Company which represent:

(a) Fair value adjustments to the identifiable assets and liabilities of the Target Company

Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Company in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard No. 3 Business Combinations.

For the purpose of this unaudited pro forma financial information, the directors of the Company considered that the carrying values of the identifiable assets and liabilities of the Target Company approximated to their fair values except for the intangible assets.

The fair values of the intangible assets are based on the replacement costs as well as a framework agreement signed between the Target Company and a buyer, and are estimated in total value of RMB10,500,000 as of 30 June 2017.

Deferred tax liabilities related to the intangible assets are estimated by applying the PRC enterprise income tax rate of 15% to the amounts of the fair value adjustments on intangible assets.

Details of adjustments are set out below:

	Carrying amounts of identifiable assets/ liabilities of the Target Company as at 30 June 2017	**Fair value adjustments**	**Fair values of identifiable assets/ liabilities of the Target Company as at 30 June 2017**
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets	–	10,500	10,500
Deferred tax liabilities	–	(1,575)	(1,575)
	–	8,925	8,925

(b) Recognition of goodwill in relation to the Proposed Acquisition

The recognition of goodwill arising from the Proposed Acquisition is analysed as follows:

	30 June 2017
	RMB'000
Consideration of the Proposed Acquisition	25,200
Less: book value of net assets of the Target Company	(14,880)
Less: net fair value adjustments to identifiable assets and liabilities *(note 3a)*	(8,925)
	1,395

For the purpose of this unaudited pro forma financial information, the Company has assessed if there is any impairment loss on the goodwill arising from the Proposed Acquisition in accordance with the International Accounting Standard No. 36 Impairment of Assets, which is consistent with the Company's accounting policy. The directors of the Company are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Proposed Acquisition as set out in the unaudited pro forma financial information.

(4) The estimated legal and professional fee of approximately RMB1,000,000 is borne by the Group, which will be recognised in profit or loss and as an expense upon completion of the Proposed Acquisition.

(5) No adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 June 2017.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

The Board of Directors
Shenghua Lande Scitech Limited
17/F., Deqing Shanghui Building,
No.70 Wulipai Road,
Deqing County, Huzhou City
Zhejiang Province, the PRC

15 December 2017

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenghua Lande Scitech Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2017, and related notes as set out on pages III-2 to III-4 of the circular in connection with the proposed acquisition of the entire equity interest in Inneator Technology Co., Ltd. (the "Proposed Acquisition"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Note 1 to 5 to the unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2017 as if the Proposed Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for six months ended 30 June 2017, which has been included in the interim report for the six months ended 30 June 2017 published by the Company.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7

"Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND EQUALITY CONTROL

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The 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" 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, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623
Hong Kong

Set out below is the management discussion and analysis on the Target Company, which is based on the financial information of the Target Company as set out in Appendix II to this circular.

1. Business review and prospect

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in software development and provision of value-added services.

The Target Company has developed strong research and development capacity and gained substantial market experience in the smart card software system development industry through the continuing research and development investment and project construction. According to the accountants' report on the Target Company as set out in Appendix II to this circular, the Target Company has successfully turned loss into profit in 2016 and achieved a better financial performance for the six months ended 30 June 2017 compared with the corresponding period of 2016.

According to the Vendors, in light of the trend of building smart city as encouraged by the Chinese government, there are a number of cities in the PRC indicating their interest or having plans to build up its own Citizen Card* system and therefore, it is expected that there will be a high demand for the construction and operation services of the Citizen Card* system in the near future.

2. Financial review

The table below sets out the Target Company's statements of profit or loss and other comprehensive income for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	22,801	17,233	31,703	19,014	21,711
Cost of sales	(18,413)	(18,016)	(23,392)	(15,123)	(16,339)
Gross profit (loss)	4,388	(783)	8,311	3,891	5,372
Other income	1,766	1,818	1,173	529	2,845
Selling and distribution expenses	(2,423)	(1,838)	(1,658)	(848)	(1,033)
Administrative and other expenses	(5,053)	(4,571)	(4,911)	(2,367)	(4,794)
Finance cost	–	–	–	–	(50)
(Loss) profit before tax	(1,322)	(5,374)	2,915	1,205	2,340
Income tax expense	–	–	–	–	–
(Loss) profit and other comprehensive (expense) income for the year/period	(1,322)	(5,374)	2,915	1,205	2,340

Revenue

Revenue comprised income from computer software development, which was recognised by reference to the stage of completion of the contract activity at the end of the reporting period, net of sales related taxes and discounts during the year/period.

The following is an analysis of the Target Company's revenue for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Computer software development	22,801	17,233	31,703	19,014	21,711

The decrease in the revenue of the Target Company for the year ended 31 December 2015 when compared with the previous financial year was mainly due to the decrease in the number and average size of the projects processed in 2015.

The increase in the revenue of the Target Company for (i) the year ended 31 December 2016 when compared with the previous financial year and (ii) the six months ended 30 June 2017 when compared with the corresponding period of the previous financial year, was mainly attributable to (i) the average size of the construction contracts obtained by the Target Company in 2016 was larger than previous year as the customers would like to include more software products/modules (e.g. software products/modules relating to travel and property management) into the construction scope of the Citizen Card* system; and (ii) the construction work of three sizable Citizen Card* system projects in Yulin City (Guangxi Province), Jinhua City (Zhejiang Province) and Nanning City (Guangxi Province) respectively commenced in 2016 and the Target Company has made substantial progress in these projects in 2016 and first half of 2017, which resulted in more incomes being recognised during the relevant periods.

Cost of sales

The Target Company's cost of sales mainly consisted of subcontracting fee, staff costs, travelling expenses and rentals.

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the costs of sales of the Target Company were approximately RMB18,413,000, RMB18,016,000, RMB23,392,000, RMB15,123,000 and RMB16,339,000, respectively.

The cost of sales of the Target Company for (i) the year ended 31 December 2015 when compared with the previous financial year and (ii) the six months ended 30 June 2017 when compared with the corresponding period of the previous financial year, roughly remained stable.

The increase in cost of sales of the Target Company for the year ended 31 December 2016 when compared with the previous financial year was mainly due to the increase in the subcontracting fee and outsourced processing fee resulting from the increase in revenue compared with the corresponding period of 2015.

Gross profit (loss)

For the year ended 31 December 2015, the Target Company recorded a gross loss of approximately RMB783,000 while the Target Company has recorded a gross profit of approximately RMB4,388,000 for the year ended 31 December 2014, which was mainly due to the decrease in the revenue whereas the staff costs, travelling expenses and rentals which were fixed costs in nature included in the cost of sales were roughly similar with that of the previous financial year.

The Target Company has recorded an increase in gross profit (i) from a gross loss of approximately RMB783,000 for the year ended 31 December 2015 to a gross profit of approximately RMB8,311,000 for the year ended 31 December 2016 and (ii) from approximately RMB3,891,000 for the six months ended 30 June 2016 to approximately RMB5,372,000 for the six months ended 30 June 2017, which were because the Target Company has made substantial progress in several sizeable projects, which resulted in more incomes being recognised, and the main part of the cost of sales were the staff costs, travelling expenses and rentals which were fixed costs and relatively stable during the relevant periods.

Other income

Other income of the Target Company mainly represented, among others, the government grants in respect of encouragement of performance of research and development activities.

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, such other income of the Target Company was approximately RMB1,766,000, RMB1,818,000, RMB1,173,000, RMB529,000 and RMB2,845,000, respectively.

Selling and distribution expenses

The selling and distribution expenses of the Target Company mainly consisted of staff costs and travelling expenses.

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the selling and distribution expenses of the Target Company were approximately RMB2,423,000, RMB1,838,000, RMB1,658,000, RMB848,000 and RMB1,033,000, respectively.

The decrease in the selling and distribution expenses of the Target Company during the three years ended 31 December 2014, 2015 and 2016 was mainly due to the decrease in (i) staff costs and associated travelling expenses resulting from the reduction of the number of the sales staff due to the adjustments in job responsibilities of the sales staff; (ii) staff costs resulting from the decrease in the remuneration and welfare expenses of the sales staff; and (iii) staff costs resulting from the reduction of sales commission of the sales staff due to the decline in revenue in 2015.

The increase in the selling and distribution expenses of the Target Company for the six months ended 30 June 2017 when compared with the six months ended 30 June 2016 was mainly due to increase in (i) staff costs resulting from the increase in the remuneration (including sales commission) and welfare expenses of the sales staff due to increase in revenue in first half of 2017; and (ii) the office expenses of the sales department resulting from the increase in purchases of office supplies.

Administrative and other expenses

The administrative and other expenses of the Target Company consisted of expenses of the management platform and technology platform, including, among others, staff costs, rental, utilities and etc..

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the administrative and other expenses of the Target Company were approximately RMB5,053,000, RMB4,571,000, RMB4,911,000, RMB2,367,000 and RMB4,794,000, respectively.

The administrative and other expenses of the Target Company for the three years ended 31 December 2014, 2015 and 2016 roughly remained stable.

The increase in the administrative and other expenses of the Target Company for the six months ended 30 June 2017 when compared with the corresponding period of the previous financial year was mainly due to the increase in (i) the staff costs resulting from the increase in remuneration and welface expenses of the employees of the Target Company; (ii) the provision of the bad debts; and (iii) the consultation fees relating to the application of the relevant qualification and copyrights; and the provision for legal claim.

Finance cost

The Target Company did not record any finance cost for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016, respectively and recorded finance cost of approximately RMB50,000 for the six months ended 30 June 2017, which was interest on discounted bank acceptance bills.

(Loss) profit and other comprehensive (expense) income for the year/period

As a result of the above, for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the (loss) profit and other comprehensive (expense) income of the Target Company was approximately RMB(1,322,000), RMB(5,374,000), RMB2,915,000, RMB1,205,000 and RMB2,340,000, respectively.

3. Liquidity, financial resources and capital structure

The Target Company generally finances its operations with cash flows generated internally and from its operating activities. As at the Latest Practicable Date, the Target Company has no outstanding borrowings remaining unpaid.

The following is summary table of the current assets and current liabilities of the Target Company as at 31 December 2014, 2015 and 2016 and 30 June 2017:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Amounts due from customers on services contracts	1,982	2,244	5,728	12,268
Trade and retention receivables	10,594	5,984	1,323	2,340
Deposits, prepayments and other receivables	2,739	4,855	6,112	6,375
Amounts due from directors	331	449	503	793
Amount due from immediate holding company	3,493	3,493	–	–
Bank balances and cash	3,819	5,476	7,898	8,757
	22,958	22,501	21,564	30,533
Current liabilities				
Trade payables	2,648	4,743	7,460	11,793
Other payables and accruals	1,357	887	1,716	11,294
Provision	–	–	–	760
Amounts due to ultimate holding company	4,188	7,365	–	–
	8,193	12,995	9,176	23,847
Net current assets	14,765	9,506	12,388	6,686

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Company had net current assets of approximately RMB14,765,000, RMB9,506,000, RMB12,388,000 and RMB6,686,000, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank balances and cash of the Target Company were approximately RMB3,819,000, RMB5,476,000, RMB7,898,000 and RMB8,757,000, respectively.

4. Significant investments

During the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, other than the equity investment in a partnership (the "**Partnership**") established in the PRC, the amount of which was RMB8,000,000, the Target Company did not hold any significant investments. On 8 November 2017, the aforementioned equity investment was subsequently sold to a third party independent of the Group, the Target Company and their connected persons at a consideration of RMB8,000,000.

According to the Vendors, the Partnership is an investment holding entity and has invested in a private company incorporated in the PRC, whose principal business is the provision of technology and services relating to smart transportation and Internet of Things.

5. Material acquisitions or disposal

The Target Company had not acquired or disposed of any subsidiary, associate or joint venture during the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

6. Employees and remuneration policy

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Company had a total of 113, 94, 124 and 125 employees, respectively. Total staff costs for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017 were approximately RMB12,626,000, RMB12,752,000, RMB13,412,000, RMB7,114,000 and RMB10,235,000, respectively. Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. Remuneration packages comprised salaries and defined contribution to the retirement benefit scheme.

7. Charges on assets

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Company did not have any charges on assets.

8. Future plans for material investments or capital assets

The Target Company did not have any future plans for material investments or capital assets as at the Latest Practicable Date.

9. Gearing ratio

The gearing ratio of the Target Company, which is equal to the total liabilities over total assets, as at 31 December 2014, 2015 and 2016 and 30 June 2017 was approximately 35.33%, 57.45%, 42.25% and 61.58%, respectively.

10. Foreign exchange exposure

The Target Company mainly operated in the PRC and all of its revenue and expenses were also denominated in RMB. As a result, the Target Company was not exposed to material foreign exchange risk. The Target Company did not do any hedging to mitigate any currency risk.

11. Contingent liabilities

During the year 2016, there was an arbitration proceeding (the "**Arbitration**") brought by a software development company as applicant against the Target Company as respondent in relation to the dispute under a technology development contract (the "**Contract**") before the Hangzhou Arbitration Commission（杭州仲裁委員會）(the "**Commission**"). The Contract was a subcontracting contract, pursuant to which the Target Company engaged the applicant to provide certain technology development service in a Citizen Card* system development project of the Target Company. However, as the applicant failed to deliver the work with quality satisfactory to the Target Company and within the agreed timeframe, the Target Company refused to pay the remuneration under the Contract. The applicant claimed for an aggregate of approximately RMB1,736,000 (excluding the arbitration costs) against the Target Company, being the remuneration under the Contract (i.e. RMB1,584,000) and the liquidated damages for late payment (i.e. approximately RMB152,000).

The parties have reached the settlement during the mediation conducted by the Commission on 22 August 2017, pursuant to which the Target Company shall pay to the applicant RMB750,000 as the remuneration (the "**Remuneration**") under the Contract, as part of the work have been done by the applicant (even though whose quality was not satisfactory to the Target Company), and shall bear RMB10,000 being the costs for the Arbitration. The relevant amounts have been provided in the financial statements of the Target Company for the six months ended 30 June 2017.

As the amount of the Remuneration is relatively small compared with the original remuneration under the Contract or the amount of claim made by the applicant and the work failed to be completed by the applicant has been done by the internal technical team of the Target Company, the Target Company has been able to complete the project and achieved the outcome at a lower cost. As such, the Directors are of the view that the Arbitration has not materially affected the operation and profitability of the Target Company.

Save as disclosed herein, the Target Company did not have any material contingent liabilities as at 31 December 2014, 2015 and 2016 and 30 June 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors, supervisors and chief executives

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name	Capacity and nature of interest	Number of Shares held	Percentage of beneficial interests in the Company's share capital
Director and Vice Chairman			
Mr. Chen Ping	Beneficial owner	27,294,240 Domestic Shares	5.39%

(ii) Interests of substantial shareholders and other persons

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at the Latest Practicable Date, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in the Shares

Name	**Capacity and nature of interest**	**Number of Shares held**	**Percentage of beneficial interests in the Company's share capital**
Substantial shareholders			
Zhejiang Shenghua Holdings Group Company Limited*（浙江升華控股集團有限公司）("**Zhejiang Shenghua**")	Beneficial owner and interest of a controlled corporation	217,126,930 Domestic Shares *(Note 1)* and 49,000,00 H Shares *(Note 2)*	52.54%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	49,000,000 H Shares *(Note 2)*	9.67%
Deqing Huisheng Investment Company Limited*（德清匯升投資有限公司）("**Deqing Huisheng**")	Interest of a controlled corporation	217,126,930 Domestic Shares *(Note 1)* and 49,000,000 H Shares *(Note 2)*	52.54%
Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 Domestic Shares *(Note 1)* and 49,000,000 H Shares *(Note 2)*	52.54%
Ms. Qian Xiaomei	Interest of spouse	217,126,930 Domestic Shares and 49,000,000 H Shares *(Note 3)*	52.54%

Name	Capacity and nature of interest	Number of Shares held	Percentage of beneficial interests in the Company's share capital
Other persons			
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H Shares	9.28%
Ms. Yin Cailian	Interest of spouse	47,000,000 H Shares *(Note 4)*	9.28%
Ms. Ko Chiu Yu	Beneficial owner	36,500,000 H Shares	7.21%
Mr. Gao Jie	Beneficial owner	17,500,000 H Shares	3.45%
Mr. Fong For	Beneficial owner	16,560,000 H Shares	3.27%

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 217,126,930 Domestic Shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited liability company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 217,126,930 Domestic Shares held by Zhejiang Shenghua.

(2) These 49,000,000 H Shares are registered under the name of Rise Sea. Rise Sea is a limited liability company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shengua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shengua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H Shares held by Rise Sea.

(3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's Shares under the SFO.

(4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H Shares under the SFO.

3. MATERIAL CONTRACTS

Save for the Equity Transfer Agreement, no contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or have given opinions, letter or advice contained in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants, being the reporting accountants for the financial information of the Target Company and the unaudited pro forma financial information of the Enlarged Group

SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, SHINEWING (HK) CPA Limited was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any members of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

No member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group.

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

(1) The registered office of the Company is at No.9 Nanhu Road, Zhongguan Town, Deqing County, Huzhou City, Zhejiang Province, the PRC.

(2) The head office and principal place of business of the Company in the PRC is at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC.

(3) The head office and principal place of business of the Company in Hong Kong is at Room 1505, 15/F., Fullerton Centre, 19 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(4) The company secretary of the Company is Mr. Fork Siu Lun Tommy, who is a member of the Hong Kong Institute of Certified Public Accountants.

(5) The Company's H Share registrar and transfer office in Hong Kong is Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(6) The Company's compliance officer is Mr. Chen Ping.

(7) The English text of this circular shall prevail over the Chinese text.

10. AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the date of this circular are Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi, with Mr. Shen Haiying as the chairman. They are the independent non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

Biographical information of each member of the Audit Committee is set out below:

Mr. Shen Haiying ("Mr. Shen")

Mr. Shen, aged 46, completed a two-year professional course for accounting jointly offered by The Broadcast and Television University of China*（中央廣播電視大學）(currently known as The Open University of China（國家開放大學）) and Beijing Technology and Business University（北京工商大學）in January 2005. From November 1999 to March 2007, Mr. Shen was a director of Deqing Tianqin Accountants' Firm Company Limited*（德清天勤會計師事務所有限責任公司）. From April 2007 to March 2011, Mr. Shen was the executive director and the general manager of Huzhou Tianqin Assets Appraisal Company Limited*（湖州天勤資產評估有限公司）. From June 2008 to May 2014, he was appointed as an independent non-executive director of Zhejiang Shenghua Biok Biology Co., Ltd（浙江升華拜克生物股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600226). Since April 2011 till present, Mr. Shen is the general manager, vice-chairman of the board and legal representative of Zuo Li Group Holdings Company Limited*（佐力控股集團有限公司）. Since October 2007 till present, Mr. Shen is a director of Zhejiang Top Medicine Co., Ltd.（浙江拓普藥業股份有限公司）, a company listed on National Equities Exchange and Quotations (stock code: 837631).

Mr. Shen is a senior accountant（高級會計師）awarded by the Review Committee of Senior Accountant Qualification of Zhejiang Province*（浙江省高級會計師資格評審委員會）. He is also a certified tax agent of Zhejiang Province（浙江省註冊稅務師）.

Mr. Cai Jiamei ("Mr. Cai")

Mr. Cai, aged 71, graduated from the Physics Department of Fudan University（復旦大學）majoring in semiconductor in August 1970.

From May 2010 to January 2015, Mr. Cai was appointed as an independent non-executive director of Hangzhou New Century Information Technology Co., Ltd*（杭州新世紀信息技術股份有限公司）(currently known as Hangzhou Liaison Interactive Information Technology Co., Ltd*（杭州聯絡互動信息技術股份有限公司）), a company listed on the Shenzhen Stock Exchange (stock code: 002280). From August 2011 to August 2017, Mr. Cai was appointed as an independent non-executive director of B-soft Company Limited*（創業軟件股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300451). He has been appointed as an independent none-executive director of Sunwave Telecommunication Company Limited*（三維通信股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 002115), since July 2013 and Hangzhou Xianlin Sanwei Technology Company Limited*（杭州市先臨三維科技股份有限公司）, a company listed on the National Equities Exchange and Quotations (stock code: 830978), since January 2014.

Mr. Cai was elected as the chairman of the second and third session of the council of Zhejiang Software Industry Association*（浙江省軟件行業協會）in 2008 and 2012. Mr. Cai was appointed as the dean of the College of Information Engineering*（信息工程學院）(from October 2000 to August 2004), the College of Software*（軟件學

院）(from April 2002 to May 2006) and the College of Software Vocational Skills*（軟件職業技術學院）(from April 2002 to May 2006) of Zhejiang University of Technology（浙江工業大學）.

Ms. Huang Lianxi (“Ms. Huang”)

Ms. Huang, aged 54, graduated from East China College of Political Science and Law（華東政法學院）(currently known as East China University of Political Science and Law（華東政法大學）) in August 1983 majoring in law. Ms. Huang furthered her legal study at Shanghai College of International Business and Economics（上海對外貿易學院）(currently known as Shanghai University of International Business and Economics（上海對外貿易大學）) in 1984 and graduated in July 1986. From 1991 to 1992, Ms. Huang attended a one-year course in United Kingdom Practical Training Scheme for Lawyers of the People’s Republic of China at the University of London and obtained a certificate of completion.

From September 1984 to September 2003, Ms. Huang worked at Zhejiang Economy Law Firm* (浙江省經濟律師事務所, currently known as Zhejiang Zhe Jing Law Firm*（浙江浙經律師事務所）) as a lawyer, deputy head officer（副主任）and partner successively. Ms. Huang is a partner of Zhejiang Tiance Law Firm*（浙江天冊律師事務所）and she joined the firm since September 2003. In October 2008, Ms. Huang was recognized as Outstanding Lawyer（全國優秀律師）for the years 2005 to 2007 by All China Lawyers Association*（中華全國律師協會）. In February 2013, Ms. Huang was appointed as a member of the twelfth National Committee for Chinese People’s Political Consultative Conference*（中國人民政治協商會議第十二屆全國委員會）. Ms. Huang is an arbitrator of the China International Economic and Trade Arbitration Commission（中國國際經濟貿易仲裁委員會）. Ms. Huang is the vice-president of the Lawyers Association of Zhejiang*（浙江省律師協會）. Ms. Huang was an independent non-executive director of Zhejiang Zhenyuan Company Limited（浙江震元股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000705), from June 2008 to August 2014. From April 2008 to April 2014, Ms. Huang was appointed as an independent non-executive director of Sunny Loan Top Company Limited（香溢融通控股集團股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600830). From April 2009 to April 2015, Ms. Huang was appointed as an independent non-executive director of Zhejiang Shenghua Biok Biology Co., Ltd（浙江升華拜克生物股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600226). She was an independent non-executive director of China Calxon Group Company Limited* (嘉凱城集團股份有限公司, formerly known as Hunan Yahua Holdings Group Company Limited*（湖南亞華控股集團股份有限公司）), a company listed on the Shenzhen Stock Exchange (stock code: 000918), from August 2009 to March 2016. She has been an independent non-executive director of Zhejiang Kangsheng Co., Ltd.（浙江康盛股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 002418), since July 2013, Zhejiang Youpon Ceiling Company Limited*（浙江友邦吊頂股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 002718), since March 2016 and Zuoli Kechuang Micro-finance Company Limited（佐力科創小額貸款股份有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 6866), since April 2014.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong at Room 1505, 15/F., Fullerton Centre, 19 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

(1) the articles of association of the Company;

(2) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017;

(3) the accountants' report on the Target Company issued by SHINEWING (HK) CPA Limited as set out in Appendix II to this circular;

(4) the accountants' report on the unaudited pro forma financial information of the Enlarged Group issued by SHINEWING (HK) CPA Limited as set out in Appendix III to this circular;

(5) the written consent referred to in the section headed "Expert and Consent" in this appendix;

(6) the Equity Transfer Agreement; and

(7) this circular.

浙江升華蘭德科技股份有限公司
SHENGHUA LANDE SCITECH LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8106)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Shenghua Lande Scitech Limited* (the "**Company**") will be held at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the People's Republic of China (the "**PRC**") on Monday, 29 January 2018 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

"**THAT:**

1. (a) the Equity Transfer Agreement (as defined in the circular of the Company dated 15 December 2017, copy of which has been produced to the EGM marked "A" and signed by the chairman of the meeting for the purpose of identification), and the terms and conditions thereof and all the transactions contemplated thereunder and the implementation thereof be and are hereby ratified, confirmed and approved; and

   (b) any one of the directors (the "**Directors**") of the Company be and is hereby authorised to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Equity Transfer Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder.

2. (a) the Proposed Change of Use of Proceeds (as defined in the circular of the Company dated 15 December 2017) be and is hereby ratified, confirmed and approved; and

   (b) any one of the Directors be and is hereby authorised to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Proposed Change of Use of Proceeds and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder."

For and on behalf of the Board
Shenghua Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

Huzhou City, the PRC, 15 December 2017

Notes:

(1) A member (the "**Member(s)**") of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a Member.

(2) The register of Members will be closed from Saturday, 30 December 2017 to Monday, 29 January 2018 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified to attend the EGM, all H shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 29 December 2017 in order to be registered as a Member.

(3) Members who intend to attend the EGM must complete the reply slip enclosed for use at the EGM, and return to the Company's mailing address at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC (for the holders of domestic shares) or to the office of the Company's H share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H shares) on or before Tuesday, 9 January 2018. The reply slip may be returned to the Company or its H Share registrar by hand or by post.

(4) As regards the holders of domestic shares and in order to be valid, the form of proxy, together with any power of attorney or other authority (if any), under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's mailing address at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.

(5) As regards the holders of H shares and in order to be valid, the form of proxy, together with any power of attorney or other authority (if any), under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's H share registrar, Hong Kong Registrars Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.

(6) Where there are joint holders of any share, any one of such persons may vote at the EGM either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Members in respect of such joint holding.

(7) It is expected that the EGM will last not more than half day. Members and their proxies attending the EGM shall bear their own travel and accommodation expenses.

* *For identification purposes only*