

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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**

## **(2) CHANGE OF USE OF PROCEEDS**

**Financial adviser to Shenghua Lande Scitech Limited\***



**Guotai Junan Capital Limited**

## **(1) PROPOSED ACQUISITION**

### **THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that, after trading hours on 29 September 2017, 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).

### **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 fulfilment of the Conditions, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **(2) CHANGE OF USE OF PROCEEDS**

The Board announces that the Company has proposed to change the allocation of the use of proceeds from the Placing.

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 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.

## **(3) EGM AND CIRCULAR**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Proposed Change of Use of Proceeds.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interest in (i) the transactions contemplated under the Equity Transfer Agreement or (ii) the Proposed Change of Use of Proceeds. As such, no Shareholder will be required to abstain from voting in favour of the resolution(s) to approve (i) the Acquisition, the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Proposed Change of Use of Proceeds at the EGM.

A circular containing, among others, (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 is expected to be despatched to the Shareholders on or before 24 October 2017.

## **(1) PROPOSED ACQUISITION**

The Board is pleased to announce that, after trading hours on 29 September 2017, 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).

## **THE EQUITY TRANSFER AGREEMENT**

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

### **Date:**

29 September 2017

### **Parties:**

- (1) the Company, as purchaser;
- (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 (i) the past financial performance of the Target Company; (ii) the business valuation of the companies in the same industry; and (iii) the latest total assets and other financial figures of the Target Company up to 30 June 2017.

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, the 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 resolutions 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 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 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.

Set out below is a summary of certain audited financial information of the Target Company for each of 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》):

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
Net profit/(loss) (before taxation)	RMB(9,874,000) (equivalent to approximately HK\$(11,621,000))	RMB2,175,000 (equivalent to approximately HK\$2,560,000)
Net profit/(loss) (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 previously disclosed, 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\* 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.

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 (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 developed a number of software products and owns various software copyrights in relation to the Citizen Card\* system and 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.

Currently, the Target Company is a software developer for the design, planning and construction of the Citizen Card\* system, which does not involve in the issuance of the Citizen Card\* or the daily operation of the Citizen Card\* system.

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 Group would also utilise its own resources in the telecommunication industry to assist the Target Company to obtain more business cooperation business 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.



## 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.**

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

In respect of the 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 rapid change of the market, the Group intends to use such part of 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 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 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.

### **(3) EGM AND CIRCULAR**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Proposed Change of Use of Proceeds.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interest in (i) the transactions contemplated under the Equity Transfer Agreement or (ii) the Proposed Change of Use of Proceeds. As such, no Shareholder will be required to abstain from voting in favour of the resolution(s) to approve (i) the Acquisition, the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Proposed Change of Use of Proceeds at the EGM.

A circular containing, among others, (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 is expected to be despatched to the Shareholders on or before 24 October 2017.

### **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“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) in the PRC 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” above
“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
“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 date of this announcement 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 the 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 date of this announcement
“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 date of this announcement

“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 announcement, 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 date of this announcement
“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 announcement, 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 this announcement. 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 announcement have been subject to rounding adjustments.*

By order of the Board  
**SHENGHUA LANDE SCITECH LIMITED\***  
**Qi Jinsong**  
*Chairman and Chief Executive Officer*

Huzhou City, the PRC, 29 September 2017

*As at the date of this announcement, the Board comprises four executive Directors, being Mr. Qi Jinsong, Mr. Chen Ping, Mr. Guan Zilong and Mr. Xu Jianfeng and three independent non-executive Directors, being Mr. Cai Jiamei, Ms. Huang Lianxi and Mr. Shen Haiying.*

*This announcement, 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 enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcement” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the website of the Company at [www.landpage.com.cn](http://www.landpage.com.cn).*

*\* For identification purposes only*